

House of Representatives

WEDNESDAY, MARCH 9, 1983

The House met at 10 a.m.
The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

Almighty God, we earnestly pray that Your bountiful grace will ever surround us, nurturing us with renewal, refreshment, sustenance, and support. Give us, we pray, not only strength for today and the tasks before us, but enable us to understand the needs of our Nation and the world in the years ahead, that we will build the sure foundation that brings forth peace and concord. May not a hardness of heart keep us from seeing our needs without looking to the needs of others. Help us to glimpse the vision of a time when people will enjoy the benefits of Your creation and hope and faith, trust and respect will be the gifts of every person. In Your name, we pray. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Sparrow, one of its clerks, announced that the Senate had passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 1296. An act relating to the treatment for income and estate tax purposes of commodities received under 1983 payment-in-kind programs, and for other purposes.

The message also announced that the Vice President, pursuant to the provisions of sections 276h-276k of title 22, United States Code, as amended, appointed Mr. PRACY as chairman of the Senate delegation to the Mexico-United States Interparliamentary Group during the 98th Congress.

The message also announced that the Vice President, pursuant to the provisions of Public Law 86-420, appointed Mr. DOPP as vice chairman to attend the Mexico-United States Interparliamentary Conference.

The message also announced that the Vice President, pursuant to the provisions of Public Law 69-20, appointed Mr. BENTSEN as a member, on the part of the Senate, of the Joint Committee on Taxation.

SELLING OFF WEATHER SATELLITES: IT DOESN'T ADD UP

(Mr. GLICKMAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GLICKMAN. Mr. Speaker, yesterday I urged the President to be careful in looking at the Cabinet recommendation to start selling off Government weather satellites. Now it looks like he wants to go ahead with it. I hope the Congress will look at the math of what the administration is proposing. I am afraid it does not add up.

We have spent over \$1.5 billion in tax dollars developing the Landsat system. The only bid so far to purchase the system has come in at \$300 million. Then the Government would have to pay \$300 to \$325 million a year for 15 years for the weather information the private sector would generate. That information would be coming from those satellites the Government developed.

Even NOAA officials acknowledge that this proposal could cost the Government hundreds of millions over the next several years, at the same time we are facing astronomical budget deficits already.

It looks like the administration's preoccupation with "privatization" has gotten in the way of reality. On this one, we are going to have to bring them back to reality.

CONSUMERS LEAD RECOVERY

(Mr. LOEFFLER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LOEFFLER. Mr. Speaker, rumors about growing consumer optimism is not just speculation, but is based on real economic gains in the past several months as well as expectations of increased purchasing power in the year ahead. First, interest rates have fallen. Mortgage interest rates have declined nearly 4 percentage points since mid-1982 and the prime rate, at 10.5 percent, is at its lowest level in more than 4 years. Consumer debt burdens are at the most manageable levels in a decade. Consumer wealth is at an all time high. Income gains from wages and salaries, boosted by increases in industrial output in December and January, and combined with the lowest inflation in more than 10 years, are enhancing consumer

buying power. In addition, consumers will be receiving another \$26 billion in tax savings in refunds this spring and are expecting a \$35 billion cut due in July. While many consumers are still cautious, there are undeniable signs that consumer confidence and consumer spending should increase substantially in the months ahead.

SOCIAL SECURITY ACT AMENDMENTS OF 1983

Mr. PEPPER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 126 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. Res. 126

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1900) to assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes, and the first reading of the bill shall be dispensed with. All points of order against the consideration of the bill for failure to comply with the provisions of sections 303(a), 311(a), and 401(b)(1) of the Congressional Budget Act of 1974 (Public Law 93-344) are hereby waived, and all points of order against the bill for failure to comply with clause 5(a) of rule XXI are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment under the five-minute rule. No amendment to the bill shall be in order in the House or in the Committee of the Whole except the following amendments, which shall not be subject to amendment and shall be considered only in the following order: (1) amendments recommended by the Committee on Ways and Means; (2) the amendment printed in the Congressional Record of March 8, 1983, by Representative Pickle of Texas, and said amendment shall be debatable for not to exceed two hours, equally divided and controlled by the proponent of the amendment and the chairman of the Committee on Ways and Means or his designee; and (3) the amendment printed in the Congressional Record of March 7, 1983, by Representative Pepper of Florida, said amendment shall be in order even if the amendment designated number (2) above has been adopted, and said amendment shall be debatable for not to exceed two hours, equally divided and controlled by the proponent of the amendment and the

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

chairman of the Committee on Ways and Means or his designee. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The **SPEAKER**. The gentleman from Florida (Mr. **PEPPER**), is recognized for 1 hour.

Mr. **PEPPER**. Mr. Speaker, I yield 30 minutes to my able friend, the gentleman from Tennessee (Mr. **QUILLEN**), and to myself I yield such time as I shall consume.

(Mr. **PEPPER** asked and was given permission to revise and extend his remarks.)

Mr. **PEPPER**. Mr. Speaker, House Resolution 126 provides for the consideration of H.R. 1900, the Social Security Act Amendments of 1983. By the way, this is an historic day in our land, Mr. Speaker, as we consider one of the most important measures ever to come before this House.

The committee bill proposes substantial changes in the social security cash benefit programs, the medicare hospital insurance program, the Federal unemployment compensation program, and the supplemental security income program.

Mr. Speaker, House Resolution 126 is a modified closed rule which is designed to permit the House to proceed to the consideration of H.R. 1900 in an orderly and expeditious manner. The rule provides 4 hours of general debate to be equally divided between the chairman and the ranking minority member of the Committee on Ways and Means.

There are several waivers of points of order for violations of provisions of the Congressional Budget Act. First, the rule waives section 303(a) which prohibits consideration of legislation which provides new budget authority or increases revenues in a fiscal year prior to the adoption of the first budget resolution for such fiscal year. This waiver is necessary because various provisions of the bill provide for increased revenues into the social security trust fund, effective in fiscal year 1984, and as a consequence, new budget authority automatically created for fiscal year 1984. Since the increased revenues and the new budget authority flowing from those revenues are first effective in fiscal year 1984, and since no first budget resolution for that fiscal year had been adopted, the bill violates section 303(a) of the Budget Act.

Second, the rule waives section 311(a) of the Budget Act which prohibits consideration of measures which increase spending in a fiscal year in excess of the ceilings set forth in the most recently agreed to budget resolution. The current level of spending is over the budget ceiling for fiscal year 1983, and since this bill provides additional spending for fiscal year 1983, it

would be subject to a point of order under the provisions of the Budget Act.

The final budget waiver is of section 401(b)(1) of the act which bars consideration of any legislation which provides new entitlement authority which is to become effective before the first day of the fiscal year which begins during the calendar year in which the bill is reported. This waiver is necessary because section 401 of the bill provides for an increase in the Federal supplemental security income benefit standard for individuals and couples, effective July 1, 1983, and thus violates section 401(b)(1) of the Budget Act. While the Committee on Rules does not intend to routinely waive these provisions of the Budget Act, the Committee on Rules recognized the need to support these emergency waivers to permit consideration of this crucial piece of legislation.

Mr. Speaker, House Resolution 126 waives clause 5(a) of rule XXI which prohibits appropriations in a legislative bill. Various provisions of the bill provide transfers of money from the general fund to the trust fund, direct payments from the trust fund or otherwise constitute an appropriation without any further action of the Appropriations Committee, and thus a waiver of clause 5, rule XXI, is needed.

This is a necessarily tightly structured rule to preserve the delicate balance of the compromise of the Social Security Commission and the Ways and Means Committee amendments. However, the committee drafted a rule to permit consideration of the two different approaches to resolving the problem of the long-term social security deficit. The bill shall be considered as read for amendment. The rule provides that no amendments shall be in order in the House or in the Committee of the Whole except: First, Ways and Means Committee amendments—and we were advised by the chairman of the Ways and Means Committee at the hearings before the Rules Committee that the committee has no amendments; second, the amendment by Representative **PICKLE**, which is printed in the CONGRESSIONAL RECORD of March 8, 1983; and third, my amendment printed in the CONGRESSIONAL RECORD of March 7, 1983.

These amendments shall be considered in the specified order, are not amendable, but shall each be open to debate for 2 hours. I would point out to the Members that the Pepper amendment would be in order even if Mr. **PICKLE**'s amendment is adopted. Under the normal parliamentary procedure, the last amendment adopted would be the amendment prevailing.

Finally, upon conclusion of the consideration of the bill, one motion to recommit would be in order.

Mr. Speaker, H.R. 1900 is primarily focused upon the refinancing of the social security cash benefit programs, and title I of the bill reflects the rec-

ommendations of the National Commission on Social Security Reform.

The Commission recommended that additional financing come from the following sources: First, extension of social security coverage; second, increased revenues from the payroll tax and general revenues; third, decreased outlays through certain limited benefit charges; and fourth, mechanisms to automatically "stabilize" the system and to assure benefit payments during periods of poor economic performance. The Commission also recommended benefit enhancements targeted to certain divorced, disabled, and surviving spouses, as well as workers who delay retiring.

□ 1015

And, by the way, that is a very significant part of the bill, because it gives an incentive to the people to keep on working rather than taking their retirement benefits at an earlier age.

For example, the present law provides for a 3-percent increase in primary benefits for every year between 65 and 70 in which retirement is delayed. The Commission recommended and the Ways and Means Committee has adopted the recommendation of the Commission that the delayed retirement credit be increased to 8 percent annually. As a result, older persons who remain in the work force until age 70 would receive a 40-percent bonus, whereas under the present law these workers would only receive a total 15-percent increase.

Title I of the bill addresses two-thirds of the projected 75-year actuarial deficit, and the entire short-range (1983-89) deficit in the cash benefit programs.

The remaining one-third of the long-range deficit is addressed in title II of the bill.

The revenue provisions of title II raise average income to the system of 0.28 percent of payroll, and the benefit provisions decrease system outlays by 0.43 percent of payroll. In general, benefit reductions account for 60 percent of the additional long-range financing, while revenue increases constitute the remaining 40 percent.

Title III includes the miscellaneous provisions relating to cash management contained in H.R. 660 introduced by Mr. **PICKLE**. This title also embodies some of the recommendations of the Commission which have little or no financing impact.

The consequences of the 6-month cost of living adjustment allowance delay on lower income OASDI beneficiaries are addressed in title IV of the bill, which amends the SSI program. Under the bill, an across-the-board increase of \$20 per month would offset the impact of a 6-month cost of living adjustment delay in both the OASDI and SSI programs.

In short, what that means is that the lower income social security

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beneficiaries who derive less income because of the 6-month delay in the cost-of-living adjustment will have benefited to a degree. This is because that loss is offset by an increase in the amount they can receive in SSI benefits. That is, if they are in the lowest income brackets of those who receive social security, and, by definition also receive SSI, their SSI benefits in that case may be increased as much as \$20 a month.

The consequences of the 6-month cost-of-living allowance delay, as I have said, on OASDI beneficiaries are addressed in title IV of the bill, which amends the SSI program. Under the bill, an across-the-board increase of \$20 a month would offset the impact of a 6-month cost-of-living delay in both the OASDI and SSI programs.

Title V of H.R. 1900 temporarily continues the Federal supplemental compensation program which targets extended unemployment compensation benefits to States suffering from higher than average unemployment rates. This will extend benefits to many of the 1.2 million individuals who will have exhausted their supplemental benefits by April 1.

Finally, Mr. Speaker, title IV of the bill implements, on a phased-in basis, a fundamental restructuring of the manner in which hospitals are reimbursed under the medicare hospital insurance program as directed by Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982.

Mr. Speaker, adoption of this rule will permit the House to act on legislation to determine the future of this Nation's social insurance program, which protects the earnings of 95 out of 100 working Americans from disability, retirement, or death. Through our action today, we can assure the 36 million beneficiaries, 116 million contributing workers and 140 million insured dependents and survivors that we intend to uphold our commitment to them.

And I want to emphasize, Mr. Speaker, this is the first time in the history of social security that the President of the United States and the Congress of the United States have pledged their honor that social security, at least for the next 75 years, will remain sound and solvent and strong. And if the House, as I hope it will, adopts my amendment, we can add to that without any cut in benefits to the beneficiaries of social security throughout that 75-year period.

We can restore the faith, thus, of the American people and the integrity of the U.S. Government and of our intention to keep the promises we have made.

I urge my colleagues to allow the consideration of this bill by adopting House Resolution 126.

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may use.

(Mr. QUILLEN asked and was given permission to revise and extend his remarks.)

Mr. QUILLEN. Mr. Speaker, the able gentleman from Florida (Mr. PERRY) has described the provisions of the rule and also the provisions of the bill. He was a distinguished member of the National Commission on Social Security Reform, and I commend the Commission for coming up with a plan to rescue social security from going into the red, which it will in July unless Congress acts. Without major changes, checks which beneficiaries are now receiving will not be forthcoming.

I also commend the members of the Ways and Means Committee for quick action.

Yesterday in the Rules Committee we discussed the measure thoroughly, having before us 19 Members to testify. Most of those Members felt that the Commission's report, as amended by the action of the Ways and Means Committee, was something that the House should pass though many had one amendment or another that they hoped to have considered.

Although there was an amendment offered in the House Rules Committee to postpone the inclusion of Federal workers for 1 year, it failed by a voice vote.

Mr. Speaker, time is running out. We have used up our tape and our paste and our bailing wire, and it is time that we repaired the system on a permanent basis. To do it, we must assure those receiving social security checks, first of all, that those checks will not be cut from the amount that they are now receiving and, second, we must assure those recipients that those checks will be forthcoming.

After the action of the House today, I hope we can send to the other body and to the President of the United States a bill to really rescue social security. I feel that this is the plan. There are many provisions in this bill that I do not like. I have always opposed bringing Federal workers under the umbrella of social security. But this compromise provides a balance when you consider the fact that only new employees coming aboard after January 1, 1984 are included, and we have assurance from the Ways and Means Committee, and others, that the present retirement system of the Federal workers will always remain sound. That is an obligation of the Congress of the United States, and that obligation will be carried out.

So with all of the lemons that we might find in the measure, I think it behooves all of us to realize that time is running out.

Now, on the two amendments, the Pickle amendment, with 2 hours of debate, will be discussed first, and the amendment offered by the gentleman from Florida (Mr. PERRY) will be discussed second, with 2 hours of debate.

Now, if Pickle and Pepper both pass, the Pepper amendment will prevail. So let us get down to the business of passing this measure to rescue the social security system, to guarantee that

those checks will go out in July and to guarantee that no recipient will receive lower benefits.

Mr. Speaker, I yield 5 minutes to the gentleman from Missouri (Mr. TAYLOR).

(Mr. TAYLOR asked and was given permission to revise and extend his remarks.)

Mr. TAYLOR. Mr. Speaker, House Resolution 126 is the rule under which the House will consider the social security financing legislation this Nation so urgently needs in order to eliminate the deficits in the social security system.

Our distinguished chairman, the gentleman from Florida (Mr. PERRY) has described the parliamentary situation set forth under this rule. The Committee on Rules has set the stage for what I believe will be one of the most important debates in this House in this decade, and that is how we endeavor to make certain that enough funds will always be available to keep the program solvent without altering its fundamental structure or undermining its basic programs.

The rule provides for only two amendments, both of which offer alternative ways to correct the long-range deficit problems of social security. The Committee on Ways and Means has included a provision that reduces the initial benefit levels gradually, beginning in the year 2000; as well as increasing the tax rate in the year 2015.

The alternatives made in order by this rule are the one offered by the gentleman from Florida (Mr. PERRY), which increases the tax rate by a larger amount than recommended by the committee, and does so in the year 2010. The other alternative is the one offered by the gentleman from Texas (Mr. PICKLE), which raises the normal retirement age for monthly social security beneficiaries in gradual steps between the years 2006 and 2009, and between the years 2017 and 2027.

Mr. Speaker, all of us are committed to protecting the social security system, and this bill assures those Americans who have faithfully participated in the social security system that they will not be deprived in the benefits they have earned a right to.

This rule, crafted by the Committee on Rules following our lengthy hearing yesterday, gives the House an opportunity to make a choice in how we solve the long-term financing arrangement.

Mr. Speaker, I am truly sorry to say that the rule does not allow for a separate vote on the issue of social security coverage for newly hired Federal and postal workers. The committee's bill mandates such coverage for all new employees after January 1, 1984, and several Members requested the Rules Committee provide an opportunity for amendments to this provision.

Of all the suggestions we were presented with yesterday, the idea for a

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delay of the effective date of this provision until we come up with a new civil service retirement program for Federal employees who will be covered by social security, or until the end of 1984, whichever date would be the earliest, made the most sense.

Suggested by our colleague, the gentleman from Minnesota (Mr. OBERSTAR), this amendment would have made coverage under social security for new Federal employees a certain thing.

At the same, the Oberstar amendment would have given those of us who serve on the Committee on Post Office and Civil Service a better opportunity to write a new civil service retirement law for these employees. I offered the motion in the Committee on Rules to give Mr. OBERSTAR the right to offer his amendment on the floor of the House, but my motion was not agreed to.

Nevertheless, Mr. Speaker, I support this rule and I urge the House to adopt the rule. I think it is important for us to keep in mind our common goal as far as a social security financing package is concerned.

The Congress needs to reach a solution that will preserve the financial integrity of the social security system; insure that benefits paid to current beneficiaries will not be reduced; insure that benefits are not cut below their current levels; and insure that the funding problems of future years are met in the most fair and humane manner.

□ 1030

Mr. PEPPER. Mr. Speaker, I yield 3 minutes to the able gentleman from Maryland (Mr. BARNES).

(Mr. BARNES asked and was given permission to revise and extend his remarks.)

Mr. BARNES. Mr. Speaker, I thank the very distinguished chairman of the Rules Committee and one of my heroes for yielding this time to me this morning.

Mr. BARNES. Mr. Speaker, Federal employee constituents have told their Representatives in Congress that they do not want new Federal hires covered by social security. Federal employees have been lobbying for weeks on this issue. For weeks, many Members have relayed two messages to their constituents: First, that the bipartisan agreement would disintegrate if new Federal hires were removed from the package; and second, that there would not be sufficient time to negotiate a new bipartisan agreement if the first package fell apart.

This explanation has not been warmly received. Social security coverage, to no one's surprise, is the No. 1 bread and butter issue for Federal employees. It threatens both pay and retirement benefits. A great deal has been written and publicized by both proponents and opponents of coverage in recent weeks on the impact of extending social security coverage to new

Federal hires. Much of what has appeared has attempted to dismiss employee concerns as unfounded—based upon misstatement of fact and distortions about the intent of Congress.

Mr. Speaker, I believe that it is vitally important that Members understand the impact of extending coverage to new Federal hires. On January 1, 1984 new Federal hires must begin paying 7 percent of their income to social security and another 7 percent to the civil service retirement trust fund. We have chosen to extend social security coverage to new Federal hires well in advance of the development of a supplementary pension program. Such legislation should dovetail these two very dissimilar retirement programs and insure that all Federal retirees, present and future, could maintain retirement income commensurate to what the Federal Government presently offers.

Therefore, Mr. Speaker, for the foreseeable future, Federal employees entering the service will have to pay nearly one fifth of their net pay toward their retirement at a time in which Federal employee compensation lags 20 percent behind comparable wages paid in the private sector. Our Federal retirement program, until recently, attracted the Nation's finest individuals to Federal service. It offered attractive, if deferred, compensation that insured a dignified retirement following years of service. In the wake of the social security amendments, Federal retirement would become the single greatest disincentive to joining Federal service. The fact that 94 percent of all private retirement plans require no employee contribution emphasizes the point.

Current Federal retirees and Federal employees nearing retirement have expressed fears that extending social security coverage to new Federal hires undermines the solvency of their retirement trust fund. Their trust fund is currently in excellent condition with \$109 billion securities reserves projected for fiscal year 1984. Depriving the trust fund of the contributions of new hires would reduce the annual flow of funds to the trust by \$665 million in fiscal year 1984. If no satisfactory supplementary plan is enacted in fiscal year 1985, the figure grows to \$1.12 billion.

In short, retirees know with certainty: First, their retirement system is under attack. the administration claims that Federal retirement is too expensive and too generous; second, Congress is moving legislation which would reduce the flow of funds into the retirement trust fund; third, a supplementary retirement plan remains an absolute unknown—and we now have reports from the Senate that the other body may not be willing to move quickly to shape a new retirement program, especially before a Presidential election.

It seems, Mr. Speaker, readily apparent why retirees balk when we ask

them to put their faith in Congress' willingness to fully fund their retirement program—as we promised to do when they went to work for the Federal Government. Pressured by continuing huge budget deficits, the temptation to pare down Federal retirement will continue to haunt employees and retirees. They understand that inasmuch as their program depends upon Congress' will to fund it, the level of congressional commitment must, in turn, depend upon the outcome of political struggle and economic progress.

We have asked Federal employees and retirees to buy a surprise package with their limited incomes in the midst of the worst economic times in 50 years.

For these reasons, I have tried to explore every possible way to delete or at least delay implementation of new hire coverage. The Federal Government Service Task Force, which I chair, has researched alternative means to achieve the revenue gains sought by the package in connection with covering new Federal employees. I sincerely regret that we were unable to find a way to at least delay implementation of new hire coverage, a proposal developed by my colleague, Ms. OAKAR, so that we could have had time to shape a supplementary retirement plan and give employees and retirees some peace of mind.

Since the rule provides Members with no opportunity to act on issues affecting the short-term funding of the package, Members have been left with no choice but to vote for or against the package as a whole. For Members concerned about the integrity of the civil service retirement system, such an absence of choice is plainly intolerable. I fully recognize the dangers implicit in expanding the existing rule. Nevertheless, the leadership has impressively demonstrated its authority in successfully shepherding this bill in a manner that insures its passage.

I support the leadership's efforts to pass this flawed, but important legislation in a timely and responsible manner. Millions of retirees expect to receive their social security checks on time this summer. Their expectations should not be displaced by anxiety. Mr. Speaker, I would merely point out to my colleagues that our responsibilities do not end with passage of this legislation. We have a continuing responsibility, as Board of Directors of the Federal Service, to maintain the integrity of a sound retirement system.

Mr. Speaker, today we have reaffirmed our commitment to the Nation's most important supplementary retirement program. In opposing the rule, I hope that the House affirms its commitment to the Nation's most important pension program—civil service retirement. It is not a program that simply puts civil servants out to pasture at the end of their careers. It is

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the cornerstone of a quality, effective civil service. As the Nation begins to feel its way toward economic recovery, we will need the Federal service's contribution to sustained economic growth more than ever. I urge my colleagues to recognize that issues of how we manage our Federal service have profound implications for our Nation's future.

Mr. CLAY. Mr. Speaker, will the gentleman yield?

Mr. BARNES. I am happy to yield to my friend, the gentleman from Missouri.

(Mr. CLAY asked and was given permission to revise and extend his remarks.)

Mr. CLAY. Mr. Speaker, I rise in opposition to the rule.

Mr. Speaker, while I support H.R. 1900, the Social Security Amendments of 1983, I oppose the rule providing for its consideration because the rule allows only committee amendments and two other printed amendments in the nature of a substitute for title II on the bill. Even these printed amendments are not subject to amendment.

I am constrained to support the Social Security Amendments of 1983 because the program is admittedly in dire financial straits. Social security is too important to 36 million of our Nation's citizens to deny it any opportunity to be restored to better health.

On the other hand, this modified closed rule affords no opportunity for the House to consider title I of the bill which provides for coverage of all Federal and postal employees appointed on or after January 1, 1984.

The National Commission on Social Security Reform, which made this recommendation, included no person with demonstrated expertise on the impact of this recommendation upon the civil service retirement system. It had been said in support of this recommendation that \$1 billion would be added to the social security trust fund. Now, supporters of that provision suggest that it would add only \$71 million to the social security trust fund. What happened to the remaining \$929 million?

Federal employees—active as well as retired—have really had to take their lumps in recent years. Successive administrations and Congresses have chipped away at least \$67 million of retiree's benefits in recent years. This administration has declared open war on Federal employees without provocation or justification. His list of legislative and administrative proposals reads like demands for unconditional surrender.

For this House to adopt a rule which does not permit the House to work its collective will on an issue that so deeply touches so many of our Nation's citizens is frankly incomprehensible and unacceptable to me. To include Federal employees under social security is really a short-term gimmick that will not resolve the long-term crisis of social security. This recom-

mendation was not well thought out. In fact, it was not even thought out.

Mr. Speaker, this rule should be sent back to the Rules Committee with an order that they could recommend a rule affording Members the opportunity to support a floor amendment delaying the coverage of new Federal employees for 1 year—until 1985. Such an opportunity would not only be fair and sensible to the affected individuals but would give us the opportunity to weigh the relative merits of this proposal before acting precipitously in this highly charged political atmosphere.

I urge a "No" vote on the rule.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota (Mr. STANGELAND).

(Mr. STANGELAND asked and was given permission to revise and extend his remarks.)

Mr. STANGELAND. Mr. Speaker, I rise today to oppose this rule. This legislation before us affects practically every citizen of the United States.

What we do here today, and I am sure we all agree, is an attempt to set forth a formula whereby our senior citizens will have an economically sound social security system—one which will give them a level of security and dignity for the rest of their lives.

This body should be allowed to work its will on any proposal which would strengthen this program.

Yesterday, I appeared before the Committee on Rules with a proposal which I thought would strengthen this program. My proposal would have saved the taxpayers \$1.5 billion per year and would also save some \$9 billion over the 6-year period from 1983 to 1989. The rule before us today does not allow my amendment to be offered.

My amendment sets up a flat-rate COLA benefit system. For the 1983 COLA, the COLA would be \$11.50 per month, per recipient.

This figure was computed by the use of the following formula. The CPI is at 4 percent and the lowest 20-percent recipient of social security receives \$291 per month. According to the present formula this recipient would receive a \$11.50 rate of increase per month.

This amendment would give every recipient this \$11.50 regardless of the amount of money they receive per month. It would treat every recipient exactly the same. Those who make more money from the program would not receive a greater increase than those who make less.

This is a savings of \$1.5 billion this year and nearly a \$9 billion savings over a 6-year period.

Under this plan, we would have saved \$9.14 billion during the 4 years of the Carter administration. We would have saved \$1.5 billion in 1977, \$1.5 billion in 1978, \$2.30 billion in 1979, and \$3.84 billion in 1980.

I do not have time to fully debate this amendment here, but under the

rules we are voting on, I will not be allowed to offer my amendment.

The largest single factor accounting for the tremendous growth in social security during the past decade has been the automatic benefit increase provision. My amendment is an attempt to do something about this.

I think my amendment would help the social security program and I believe that the House should be able to hear the arguments and work its will.

Mr. Speaker, I ask that this rule be defeated.

Mr. QUILLEN. Mr. Speaker, I yield 5 minutes to the gentleman from California (Mr. DANNEMEYER).

(Mr. DANNEMEYER asked and was given permission to revise and extend his remarks.)

Mr. DANNEMEYER. Mr. Speaker, I rise in opposition to the pending resolution that would set forth the rules to govern consideration of H.R. 1900, the Social Security Act Amendments of 1983.

The legislation is in serious need of refinement and reconsideration if we are to lessen the mounting intergenerational tension that will grip our society as the heavy reliance on revenue increases contained in the legislation begins to take effect.

For this reason, the House ought to be able to consider options on the totality of the package in addition to the two choices that will be permitted on the balance of the long-term deficit as embodied in the Pepper and Pickle amendments.

In support of this position, Mr. Speaker, I would like to make several points.

The package of changes in H.R. 1900 relies much too heavily on increased revenues into the trust funds as opposed to significant reform of the benefit structure. Specifically, the short term deficit reduction of \$165 billion is composed of items on revenue increases that represent 77 percent of that total. These revenue increases include expanded coverage, increased payroll taxes, subjecting some beneficiaries to Federal income tax for one-half of their benefits over specified levels, and general fund reimbursement for prior military wage credits.

In the long term, these changes, combined with an additional payroll tax increase in the year 2015, represent 67 percent of the package. When considered against the backdrop of the payroll tax increases mandated by the Social Security Act Amendments of 1977, this further dependency upon increased revenues is economically excessive in a time of high unemployment and socially suicidal as younger workers react to the tax burden necessary to continue to finance the existing benefit structure for the recipients of social security.

The plan is also inadequate, which means that we will again be confronted with this volatile issue sooner

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rather than later. This may come as early as the next 3 to 5 years. This view is shared by groups as diverse as the American Association of Retired Persons, the National Federation of Independent Business, the American Farm Bureau Federation, and the National Taxpayers Legal Fund. By the report of the National Commission on Social Security Reform, we are told that the short-run deficit, that is from now until the end of the decade, is in the range of \$150 billion to \$200 billion. Yet, the package before us only comes in at a net figure of \$165 billion.

Mr. Speaker, there are alternatives to this package which could be explored if the rule would permit more open debate and greater consideration. Many outside groups and experts have come forth with their own thoughts and recommendations. They are too numerous to mention at this point, but I would refer my colleagues to the report of the Commission wherein various staff memoranda and reports are cataloged, each of which explored alternatives of various shapes and sizes. The additional and minority views of members of the Commission are also fertile ground in the search for a more balanced approach.

In general, the thrust of any alternative proposals would be to reduce future benefit increases under social security. No one, including this Member from California, is advocating the reduction of social security benefits below those that are now paid to our Nation's retirees. Much could be done, however, along the lines of permanent reform of the cost-of-living adjustment mechanism, rather than the standby "stabilizer" under the Ways and Means Committee bill that would kick in after 1987 only if the trust fund balance falls below specified levels. Initial benefit amounts for retirees into the future could also be altered with sufficient lead-time to permit individuals to adjust their own financial plans for retirement. We could also separate out the welfare functions of social security from those more directly related to pension insurance benefits. A further feature of long-run reform might even expand upon the existing individual retirement account (IRA) program.

The point, Mr. Speaker, is that we do not lack other options and advantageous alternatives. What we lack is the political courage to see beyond the immediate horizon and address the need for structural reform of social security, not just the infusion of yet more revenue.

For all of these reasons, I must oppose the rule and the legislation as reported from the Committee on Ways and Means.

CHART 1.—THE IMBALANCE OF H.R. 1900—THE RELIANCE OF REVENUES

[Expressed as percentage of the total "savings" in the bill]

	Short run (1983-90)	Long term (75 yr)
Revenue related:		
Expanded coverage	15.1	18.9
Direct revenue (payroll and income taxes)	51.6	47.5
General revenue	10.4	1.3
Total	77.1	67.1

Source: Based on figures of March 4, 1983, from the Committee on Ways and Means using the estimates of the Office of the Chief Actuary, Social Security Administration.

CHART 2.—BREAKDOWN OF SOCIAL SECURITY ACT AMENDMENTS OF 1983, AS REPORTED FROM THE COMMITTEE ON WAYS AND MEANS

	Short term (billions)	Percent of total
Summary:		
I. Expanded coverage	\$25.0	15.13
II. Benefit changes (COLA)	39.7	24.04
III. Revenues (increased taxes)	85.2	51.55
IV. General revenues	17.2	10.41
I. Expanded coverage:		
New Federal employees	9.3	5.63
Nonprofit employees	12.5	7.56
Prohibit termination of State and local government	3.2	1.94
Subtotal	25.0	15.13
II. Benefit computation:		
COLA Six-month delay	39.4	23.84
Windfall benefit change	.3	.20
Subtotal	39.7	24.0
III. Revenue Provisions:		
Taxation of half of SS benefits of "high income" persons	27.3	16.52
Payroll tax increases	39.4	23.84
Tax on self-employed at same rate as others	18.5	11.19
Subtotal	85.2	51.55
IV. Other: General fund reimbursement to SS trust funds for past military wage credits	17.2	10.41
Total (net of increased benefits for widowed and divorced women, costing \$1.5 billion)	165.0	

¹ The National Commission had estimated the short run (1983-89) deficit at \$150-\$200 billion.

CHART 3.—LONG TERM BREAKDOWN

The revised estimate of the 75-year shortfall, based upon the analysis of the Chief Actuary of the Social Security Administration is 2.09 percent of taxable payroll. The long term breakdown of the contribution of each of the elements of the bill is noted below. They actually total over the 2.09 percent, although on an estimated basis.

	Percent of taxable payroll	Percent of total bill
I. Expanded coverage:		
New Federal employees	.28	12.0
Nonprofit employees	.10	4.3
Prohibit termination of State and local government	.06	2.6
Subtotal	.44	18.9
II. Benefit computation:		
Six-month COLA delay	.30	12.8
Windfall benefits change	.03	1.3
Reduce replacement rate from 2000-2008	.43	18.4
Subtotal	.76	32.5
III. Revenue provisions:		
Taxation of one-half of SS benefits of "high income"	.61	26.1
FICA tax increases (1980's)	.03	1.3
Tax on self-employed	.19	8.1
FICA tax increase in 2015	.28	12.0
Subtotal	1.11	47.5

	Percent of taxable payroll	Percent of total bill
IV. Other: General revenue for military credit and miscellaneous	.03	1.3
Gross total	2.34	100.2
Women's benefit changes	-.07	
Increased delayed credit	-.10	
Net total	2.17	

Mr. PEPPER. Mr. Speaker, I yield 6 minutes to that great champion of the cause of need in this House, the able gentleman from Kentucky (Mr. PERKINS).

(Mr. PERKINS asked and was given permission to revise and extend his remarks.)

Mr. PERKINS. Mr. Speaker, I shall vote against the modified closed rule proposed by the resolution.

In my humble judgment, neither the committee bill, the recommendations of the National Commission on Social Security Reform, nor the two amendments that would be allowed—none of these get to the heart of what is wrong with social security.

At the very least, the Members ought to have a chance to propose meaningful amendments to H.R. 1900, and to engage in full debate on the long-range problem.

This bill is not going to cure social security. No bill will cure it that does not take dead aim on the illness that afflicts the economy that supports social security.

Notwithstanding the cheery bulletins that come out of the White House these days, the American economy is still sick. No amount of high pressure political hype from 1600 Pennsylvania Avenue is going to convince those 11.5 million Americans standing in the unemployment lines that recovery is here.

In my judgment, the President has listened to advisers who are more interested in the balance sheets of big banks than they are in the welfare of ordinary Americans. Lines of credit are more important to them than lines of unemployed.

One prominent economist after another has told us during hearings before the Education and Labor Committee that high interest rates—and I mean real interest rates—are a major factor in this sick economy.

Those high interest rates are forcing business failures by the thousands all across this country, and they are the direct cause of the loss of millions of American jobs.

And that is certainly a factor in the reason social security is suffering a disability of its own.

I am standing here today and telling you that if we do not get this economy back on an even keel, there will be very few solvent pension plans any where in the country. Social security will have plenty of company.

If we really want to cure the economic illness, we will open up this legislation before us today and reestablish

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lish machinery to control interest rates, wages, prices, credit—right across the board.

Now, I can count. I know that the probabilities are that this bill is going to pass pretty much as it came from the committee. It is much easier to go on fooling ourselves than to take the concrete action that is needed.

If, by some chance this rule is voted down and we have a chance to offer amendments, I will have an amendment to provide for controls on the economy.

Actually, this can be done fairly easily. The language of the Council on Wage and Price Stability Act is still on the books. All we need is one sentence to authorize the Council to impose mandatory economic controls with respect to prices, rents, wages, salaries, corporate dividends, and all other similar types of economic activity.

And as for the all-important interest controls, all we need to do is to repeal the expiration date of the Credit Control Act which is already on the books.

This short, one-page amendment would give the President all the power he needs to get the economy under control, to get people back to work, to shorten the unemployment lines, to get people to work building homes, and making it possible for other people to buy them.

I believe this is possible. I believe we could act here today to turn the economy around, and that our action would go a long way toward curing the problems of the social security system.

Mr. Speaker, I am sure we all remember it was just a little over 5 years ago, in December 1977, that we gave final passage to a social security tax increase bill that was hailed at that time as the answer to all of the system's deficit problems until the beginning of the 21st century, at least.

We said "We have saved social security. We will not have to have any more social security bailout legislation. Hooray for us."

We believed the propaganda that was put out then, so we all voted for the bill and went home for Christmas.

Well, as it turns out we did not do anything of the kind. Here we are, 63 months late, puckering up to "save social security" again.

I just do not believe the country is going to have much confidence in what we do here today if we do not bite the bullet and do what has to be done.

We can make a start by voting down the rule and by letting H.R. 1900 be brought to the floor under conditions that will at least permit the House to debate the suggestions for improving it that I and others have to make.

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Mr. PEPPER. Mr. Speaker, I yield 2 minutes to the able gentleman from Minnesota (Mr. OBERSTAR).

Mr. OBERSTAR. I thank the gentleman for yielding.

Mr. ADDABBO. Mr. Speaker, will the gentleman yield?

Mr. OBERSTAR. I yield to the gentleman from New York.

Mr. ADDABBO. Mr. Speaker, I rise in opposition to this rule and I strongly urge my colleagues to vote down the previous question. It saddens me to be in opposition to the House leadership on such an important question, but I am fully convinced that this rule does not allow the Members of this body to work their will on a bill which may be the most critical piece of legislation to come before this Congress in this session. It is a bill which effects all of our citizens and carries severe economic impacts upon those citizens well into the 21st century.

With that in mind, I would have thought that the sponsors of this legislation would have allowed full discussion on the many critical and highly sensitive aspects which are included within the bill. That the sponsoring committee, the leadership, and the Rules Committee decided against that course of action is no substitute for the fact that that would have been the right way to proceed. Since they have allowed the Members to vote on only two amendments to the bill as brought out by the committee, it is my belief that the rule is faulty and must be rejected. I say to my fellow Members that to accept this gag rule is to fail to perform your duty to your constituents and to all of the people of this country who look to this body to correct the inequities in the social security financing system, to assure the orderly payment of benefits to recipients and to assure wage earners their salaries will not be plundered.

This rule does not even allow the Members the right to act on the most basic questions which effect millions of American workers; namely, the inclusion of Federal and postal employees and the inclusion of all nonprofit organizational employees. It further preempts the rights of State and municipal governments to decide for themselves whether or not they wish to be in the social security program.

I think it must be stressed that those of us who are opposed to the bill as it now stands and who want to open this rule so that correcting amendments can be offered are not against the social security system.

I for one have been a strong advocate of the social security system for the 22 years I have served in this House and people who will examine my voting record will learn that I have supported increases in benefits for social security recipients without fail throughout those years. My record of support for the senior citizens of this country stands second to none to anyone serving in this body and I reject the arguments that because some who speak for senior citizens support this bill that all of us must fall in line with it.

I will say further that the most insidious turn of events has been the ability of this administration to turn senior citizens against Federal and

postal workers in this matter and vice versa. These groups should be standing together because they are in general the groups that this present administration seeks to take benefits from so that they might be given elsewhere. This ploy, Mr. Speaker, will not hold up in the long run because the goals and aspirations of each is inevitably tied to the other. What we ought to be doing is finding a way to solve the financial problems of the social security system without bringing harm to other innocent groups whose only fault as far as I can see is to be part of a financially sound retirement system.

I have been saying since 1977 that if the programs contained under the social security umbrella were valid—and I believe they are—then it ought to be the responsibility of the Federal Government to fund those programs as it funds any other worthwhile program it operates. What we have done instead throughout the years is to seek to lay the costs of these programs outside the normal budgetary process each year and to lay the burden for paying for these programs onto the payroll taxes of the wage earner.

I do not believe in the good faith of this administration insofar as the needs and requirements of our senior citizens are concerned. Until it became a political embarrassment to it, the present administration was more than willing to cut back benefits to social security recipients and to eliminate a number of programs under the social security umbrella. Even as we speak today, throughout this country helpless citizens receive termination notices of disability benefits even before an investigation has been conducted to determine if they are receiving those benefits properly. Is this the mark of an administration with a kind and warm heart for the people who can no longer help themselves? I do not think so and it distinctly bothers me that the leaders of this House are so quick to join with this administration to bring a bill to the floor that contains a political quick fix for a system that truly needs a major overhaul.

There is no doubt that the bill that will be brought to the floor under this rule is better than the one which the administration would have offered had it controlled the House of Representatives. But that is only a marginal improvement and as it stands the inequities created by passage of this legislation would far outweigh the benefits.

I sincerely hope, Mr. Speaker, that the House takes the courageous stand of refusing to go along with this rule. This entire charade has been a political blitzkrieg in which those of us who have raised questions about the validity of what we are doing and the extent of harm we are causing innocent people have been brushed aside in the rush to bring this bill to the floor before reason can assert itself.

The previous question must be defeated. If it is not then this entire rule

must be rejected and this measure sent back to the Rules Committee to open it up so that everyone who has a stake in what we do here can get a fair hearing.

I thank the gentleman for yielding.

Mr. OBERSTAR. Mr. Speaker, I rise on a matter of simple justice and equity for Federal workers. There will be no opportunity in this rule to give them just one small measure of fairness and that is to allow a period of time for this Congress to fashion a replacement retirement program for Federal workers before this legislation goes into effect and taxes new hires in the Federal Government system. I appreciate the remarks of the gentleman from Missouri (Mr. TAYLOR) earlier. I made my case before the Rules Committee. Apparently the deck was stacked, the train was loaded, it did not stop at any stations to let anyone on or anyone off. And that is regrettable. We ought to have the opportunity, this body ought to have the courage to face up to one of the most pressing social justice questions and that is double taxation of new hires in the Federal Government system.

As the gentleman from Ohio yesterday in the Rules Committee, Mr. LATA, pointed out, a person hired on January 1 will pay 5.7 percent more in taxes than the person hired on December 31 of the preceding year under the provisions of this bill. That is wrong. That means that out of the average salary of a new hire which is \$14,800, a worker will pay \$2,072 in retirement tax to the civil service retirement system, OASI, and medicare. Of that amount, a worker will pay \$1,136 in civil service retirement, in addition to the social security tax which that person will pay. The lowest entry level, GS-5, will have to pay an additional \$935 in civil service retirement. That is just not fair. We ought to fashion a retirement plan that deals with the two issues of civil service retirement and social security retirement at the same time. That could be done in the timeframe of the amendment which I proposed that the Rules Committee allow for this body to consider.

Regrettably we will not have that opportunity. I must ask for a vote against the previous question and against the rule.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. CARNEY).

(Mr. CARNEY asked and was given permission to revise and extend his remarks.)

Mr. CARNEY. Mr. Speaker, I rise in strong opposition to the rule. I believe that legislation of this magnitude which affects every American is too important to be considered under a modified closed rule, allowing for the consideration of only two amendments. Members of this body who do not serve on the Ways and Means Committee have not been given adequate opportunity to express either

their support of, or reservations of, the various aspects of this historical legislation.

The impact of this bill on all Americans is as profound as it is complex. The legislation today calls for a change in the Government's longstanding commitment to Federal employees. A change of this magnitude, alone, deserves a separate vote.

There are other issues as well requiring separate attention: Deferring the cost-of-living allowance; the issue of general revenue financing; the issue of the ratio between taxes and benefits; the extension of unemployment benefits; the changes in medicare payments; and the changes in welfare benefits. These are all concerns which suggest that limited debate is inadequate to insure full consideration by this body of these issues.

Mr. Speaker, along with my colleagues, I am deeply concerned about the future of the social security system. This program must continue to operate so that our Nation's older citizens will be guaranteed a secure livelihood when they retire. However, the provision in the bill which would force future Federal workers into social security, would not solve the financial problems of that system, but would bankrupt the fiscally sound civil service retirement system. In essence, the so-called universal coverage proposal is a classic example of "robbing Peter to pay Paul."

The National Commission on Social Security Reform has asserted that the inclusion of new Federal employees under social security would generate approximately \$12 billion in revenue for the system between 1983 and 1989. Yet, some independent actuaries are claiming that the real figure could be much lower—as low as \$4 billion.

In addition, the Commission, as well as the Social Security Administration actuaries, have projected a long-term shortfall in the system. This problem would occur at the same time Federal and postal workers begin to collect social security benefits. It is apparent, therefore, that the inclusion of these workers under the system would help create a long-term funding problem in return for a small stopgap infusion of revenue.

I would also point out that the evidence is clear that the enactment of the universal coverage proposal would endanger the civil service retirement system. There is an ominous possibility that, without the contribution of new hires, the civil service retirement fund will face bankruptcy by the end of this century. At that time, the benefits would have to be paid out of the U.S. Treasury, at a cost of at least \$185 billion, in constant dollars. In my view, it is unwise to either force such a financial burden on the taxpayer or endanger the level of benefits that have been promised to Federal employees.

Although the social security legislation before us provides for a new sup-

plementary retirement program for Federal employees, the bill fails to describe such a system. We are kept in the dark concerning the level of benefits under a new pension program. We are not told what contributions, from the Government and the employees, would be required to finance the system. Congress, if you will, is being asked to buy a "pig in a poke."

I maintain that it would be prudent to at least delay the provision to include Federal employees under social security until a supplementary pension program is developed. But, unfortunately, this body has been denied the opportunity to vote on an amendment to delay the proposal.

Let us not go forth in haste and commit mistakes that will jeopardize the future retirement benefits of millions of older Americans. Although some of you may disagree with my views regarding social security, I hope you will agree that we should at least have the occasion to pass judgment on specific provisions of this legislation that will affect so many. Both the public's interest and democratic procedure are ill-served when legislation is placed on the fast-track without proper scrutiny.

Mr. Speaker, as H. L. Mencken once said, "For every problem there is a simple solution—quick, cheap, and usually wrong." So it is with H.R. 1900. I urge my colleagues to vote no on this gag rule so that 435 Members may more adequately express their views on this issue.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania (Mr. GEKAS).

(Mr. GEKAS asked and was given permission to revise and extend his remarks.)

Mr. GEKAS. Mr. Speaker, I, too, am concerned about the structure of the rule and rise in opposition thereto. I do so on the basis that if we did indulge in the present provisions of the rule we will be withdrawing from the Congress the right to exercise foresight, for a change. It is absolutely a truism that if we do not incorporate into our total deliberations some aspects of what is going to happen to the Federal civil service retirement system, within a very short time after today, then we are failing in our total commitment to solve our totality of problems with the various retirement systems, including the social security system. It seems to me that we ought to have this go back to committee and come forth with a plan that will take into account what is the future of the Federal civil service retirement system; just as the Federal employees themselves are saying what good is it to make one system well while making the other ill? It will hurt our taxpayers in the long run if in the next few years we are going to come back to these tables to deliver another commission report on what to do with the

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Federal civil service retirement system. I thank the Speaker.

● Mr. GILMAN. Mr. Speaker, I rise in opposition to the rule governing consideration of H.R. 1900, Social Security Act Amendments of 1983. While I commend those who have worked long and hard in an effort to fashion a much-needed comprehensive proposal to correct the ills of our social security system, I am concerned about the bill's intent to place those Federal employees hired after January 1, 1984, under social security coverage. Because of the ramifications of such a proposal, and because the rule does not permit a separate vote on that proposal, I intend to vote against the rule.

Mr. Speaker, as a member of the Committee on Post Office and Civil Service, I have listened attentively to the debate about extending social security coverage to newly hired Federal employees. I believe this debate has raised many questions which have not been answered satisfactorily; for example: How much of an immediate short-term increase would be provided to the social security trust fund? At what rate would the loss of new hires cause the civil service retirement system (CSRS) trust fund to shrink? What levels of Federal funding would be necessary to compensate for the loss of money to the CSRS trust fund which would have been paid by new hires? These are several of the more important questions that I believe require better answers than those which have so far emerged during consideration of this issue.

Mr. Speaker, proposals have been formulated to further explore the issue of how the CSRS relates to social security and what changes, if any, to the CSRS, might be appropriate. I believe that such a review should be conducted in a deliberative, careful manner and that those proposals which have a significant bearing on the future of the CSRS should not hurriedly be placed on a legislative fast track.

Accordingly, I urge my colleagues to vote against this rule because it does not permit separate consideration of whether new Federal hires should be placed under social security coverage. ●

Mr. BIAGGI. Mr. Speaker, I rise to express my opposition to the rule which will determine the House consideration of this critically important legislation. It is billed as a modified closed rule but it might be better described as a gag rule. Its real effect will be to deny this body an opportunity for separate votes on highly controversial provisions in this bill such as mandating social security coverage for all new Federal and postal workers.

It is unfortunate that such an overwhelming number of our colleagues have been shut out of the processes which have brought us to this point today. One way to have opened up this process would have been to allow us the opportunity to vote on those provisions—which have been identified to

us by our constituents as being worthy of opposition.

No better case in point is the provision in this bill dealing with the new Federal and postal workers. The fact is—that whether this provision provides \$12 billion in new revenues for social security or the \$6 billion estimated by the president of the National Association of Letter Carriers, the losses in this far outweigh any benefits. For example based on actuarial estimates—the civil service retirement system could be bankrupt in 20 years if this provision is allowed to pass. The reason—very simple—by adopting H.R. 1900 we are taking away the future contributing base for the system—the new worker—since civil service is a pay-as-you-go system—the handwriting is clearly on the wall.

There are numerous other problems with this idea including the built-in problems within the Federal and postal system. Suddenly people doing the same kind of work will be operating under two different retirement systems. Morale which is already at an alltime low in the Federal Government will plunge even further.

I have problems with other features of this bill, as do many of my colleagues, and we would have preferred the opportunity to cast several votes on different provisions. However if this rule is passed, that opportunity will never happen. Therefore, with all due respect for the distinguished chairman of this Committee, Mr. PEPPER, I plan to vote against the rule and urge others to do as well so we may have a more democratic consideration of this bill so vitally important to the estimated 38 million current beneficiaries as well as the millions of tomorrow.

Mr. QUILLEN. As I said earlier, Mr. Speaker, we have run out of paste, we have run out of tape, and we have run out of bailing wire. It is time to fix social security on a permanent basis and I urge the adoption of the rule. I have no further requests for time but I reserve the balance of my time.

Mr. PEPPER. Mr. Speaker, I yield 3 minutes to the able gentleman from Connecticut (Mr. MORRISON).

(Mr. MORRISON of Connecticut asked and was given permission to revise and extend his remarks.)

Mr. MORRISON of Connecticut. Mr. Speaker, I rise in opposition to the rule. I rise in opposition because I believe that the Members of this body should be given an opportunity to offer solutions to the social security problem other than the ones that have been proposed by the Ways and Means Committee.

My colleague from Connecticut (Mr. GEDENSON) and I are prepared to offer an amendment which we believe addresses the problems facing the social security system in a better way. We would like an opportunity to offer that amendment, but that opportunity would be denied us under this rule.

Our amendment, which I will include in today's Record as part of this statement, would remove the \$35,700 cap on the amount of income which is subject to the social security tax. It would make the social security system more equitable in terms of who pays the taxes in order to support the benefits. By removing the \$35,700 tax cap, enough revenue would be raised to allow us to pay the cost-of-living increase scheduled for July and also to remove from the package the proposed inclusion of Federal workers.

Mr. Speaker, the July cost-of-living increase is desperately needed by many social security recipients. Natural gas prices have risen precipitously this winter. Rents in elderly housing projects all over my district are going up. Without the increase they need to meet the very real increase in the cost of living, many seniors simply will not be able to get by. It is not an answer to say that they should look to the welfare system and SSI for relief. Many seniors who will be suffering financially will be unable or unwilling to meet the many rigid eligibility guidelines that these needs-based programs entail.

By asking wealthier Americans to pay their fair share of social security taxes—by asking them to pay the same tax rate as those who are struggling to get by on low and moderate incomes we can avoid depriving seniors of the cost-of-living increase that is so important to them.

Mr. GEDENSON and I also would remove from the package the proposed inclusion of new Federal workers. Including these workers in social security will not solve the system's long-term funding problems. If it is necessary as a matter of equity, we should deal with the issue in the future, after we have done what is necessary to protect their long-term pension needs. At a time when those needs are under attack by the White House, we should not undermine them further by including new workers in social security without first acting to preserve the integrity of the Federal pension system.

Mr. Speaker, our solution to the problems facing social security is financially responsible. It is fairer to all Americans than the package. It would provide additional revenue for solutions to the long-term problem. We think it is a better plan. We would like to give the Members of this body an opportunity to consider it. There may be other plans which are fair and financially responsible. I would like the opportunity to consider them. That is why I am opposed to this rule, which prohibits us from considering such alternatives.

I thank the Speaker. I urge a vote against the rule.

AMENDMENTS TO H.R. 1900 OFFERED BY MR. MORRISON OF CONNECTICUT AND MR. GEDENSON

Strike out section 101, beginning on page 5, line 5 and ending on page 15, line 5 (redesignating the succeeding two sections accord-

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ingly and making conforming changes in the table of contents).

On page 16, after line 5, insert the following new section (and conform the table of contents):

REMOVAL OF CAP ON CONTRIBUTION AND
BENEFIT BASE

Sec. 103. (a)(1) Section 209(a)(9) of the Social Security Act is amended by inserting "and prior to 1984" after "1974".

(2) Section 214(b)(1)(I) of such Act is amended by inserting "and prior to 1984" after "1974".

(3) Section 215(e)(1) of such Act is amended by inserting "and before 1984" after "any calendar year after 1974".

(4) Section 218(d)(2)(C)(ii) of such Act is amended by striking out "in the contribution and benefit base under section 230 and the estimated amount of the increase in such base" and inserting in lieu thereof "in revenues".

(5) Section 230 of such Act is repealed.

(b)(1) Section 1402(b) of the Internal Revenue Code of 1954 (defining self-employment income) is amended—

(A) by striking out "except that such term" and all that follows in the first sentence and inserting in lieu thereof "except that such term shall not include any part of the net earnings from self-employment derived by an individual during any taxable year if the total amount of such net earnings is less than \$400."; and

(B) by striking out the second sentence.

(2) Section 3121(a) of such Code (defining wages) is amended by striking out paragraph (1).

(3)(A) Paragraphs (2) and (3) of section 3121(i) of such Code (relating to computation of wages in certain cases) are each amended by striking out "subject to the provisions of subsection (a)(1) of this section."

(B) Paragraph (4) of such section 3121(i) is amended by striking out "subject to the provisions of subsection (a)(1)."

(4) Section 3121(a) of such Code (relating to concurrent employment by two or more employers) is amended by striking out "3102, 3111, and 3121(a)(1)" and inserting in lieu thereof "3102 and 3111".

(5) Section 3122 of such Code (relating to Federal service) is amended by striking out the second sentence.

(6) Subsections (a), (b), and (c) of section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) are each amended by striking out the second sentence.

(c)(1)(A) Section 31(c) of the Internal Revenue Code of 1954 (relating to credit for special refunds of social security tax) is repealed.

(B) Section 31(d) of such Code (relating to year for which credit allowed) is amended by striking out "(or, in the case of subsection (c), in which the wages were received)".

(2) Section 461(a)(5) of such Code (relating to requirements for qualification) is amended—

(A) by striking out "under section 3121(a)(1) (relating to the Federal Insurance Contributions Act)" in the first sentence and inserting in lieu thereof "under the Federal Insurance Contributions Act"; and

(B) by striking out "or merely because" and all that follows in the second sentence and inserting in lieu thereof a period.

(3)(A) Subsections (a) and (b) of section 3201 of such Code (relating to rate of tax on employees) are each amended by striking out "so much of", and by striking out "as is not in excess" and all that follows and inserting in lieu thereof a period.

(B) Section 3202 of such Code (relating to requirement of deductions) is amended by striking out the second sentence.

(C) Section 3211(a) of such Code (relating to rate of tax on employee representatives) is amended by striking out "so much of", and by striking out "as is not in excess" and all that follows and inserting in lieu thereof a period.

(D) Section 3221(a) of such Code (relating to rate of tax on employers) is amended by striking out "so much of the compensation paid in any calendar month by such employer for services rendered to him" and all that follows and inserting in lieu thereof "the compensation paid in any calendar month by such employer for services rendered to him."

(4) Section 6413(c) of such Code (relating to special refunds) is repealed.

(5) Section 6654(d)(2)(B) of such Code (relating to definition of adjusted self-employment income for purposes of provisions relating to failure to pay estimated income tax) is amended by striking out "means" and all that follows and inserting in lieu thereof "means the net earnings from self-employment (as defined in section 1402(a)) for the months in the taxable year ending before the month in which the installment is required to be paid."

(d) The amendments made by this section shall apply only with respect to remuneration paid after December 1983, and with respect to net earnings from self-employment derived in taxable years ending after December 1983.

Strike out section 111, beginning on page 16, line 7 and ending on page 18, line 17 (redesignating the succeeding three sections accordingly and making conforming changes in the table of contents).

Mr. PEPPER. Mr. Speaker, I just want to say one word more: This rule is a fair rule, adopted by a bipartisan vote in the Rules Committee and is calculated to give the membership of this House a full and fair opportunity to express their pleasure or displeasure with this package that has been put together over more than 13 laborious months by the Social Security Commission and further examined by the able Ways and Means Committee of this House.

Every one of us who was among the 12 who approved this package, at 7:30 in the evening of the last day of the life of the Commission, found many things that we objected to in the Commission package, but, on the other hand, we had to adopt what was the best we could get.

I hear people complaining about certain parts of it. What about the elderly who have been deprived of 6 months of their COLA, cost-of-living cuts; what about the elderly who are being subjected to an income tax on one-half of their social security income if they are in the higher income brackets? They could well complain and they do. And many of us did our best to spare them that sacrifice. But when it came to a question of whether that sacrifice was worth assurance that social security would be solvent and sound for 75 years, we thought the sacrifice was well made. And the elderly of America have accepted that judgment because they have been alarmed about the uncertainty of social security in the future.

And now they have been reassured by this package that they will not have to fear that their checks will not come. And the skeptical young have been assured that as far as they live into the future that social security will be there as the law provides.

So, yes, we all have something to complain about, but when you take the whole package, we are having an opportunity to offer to America today a social security program I think America will be proud of, and I think this Congress will be proud to have been a party to its enactment.

Mr. QUILLEN. Mr. Speaker, I have two other requests for time, one for 2 minutes and one for 1 minute, after which I shall yield back the balance of my time.

Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. THOMAS).

Mr. THOMAS of California. I thank my colleague for yielding.

I support the rule for H.R. 1900. I think it is a fair resolution of the options before us, since the rule provides for three alternatives for funding the long-term shortfall of 0.68 percent of payroll in the social security OASDI funds.

One alternative is the committee proposal, which for younger people is the worst of all possible worlds. It proposes to increase taxes and reduce benefits; that is, we are telling our younger workers that they have the privilege of paying more to receive less.

The committee proposal is not worthy of being in the garden.

The two remaining alternatives are garden variety, one a "pepper," and the other a "pickle."

Peppers can be divided into two groups, hot and sweet. Hot peppers bring tears to your eyes. Sweet peppers are hollow and need to be filled to give them substance. Make no mistake—the Pepper amendment's stuffing will be more and more taxes.

The pickle, on the other hand, is derived from the cucumber, a solid, fleshy vegetable which is set aside to age and develop more character. Similarly, the Pickle amendment is a solid proposal, because it addresses the real problems that got us here in the first place—the ingredient that makes a cucumber a pickle—age.

So as the air fills with numbers during the debate, if things get a bit confusing, relish this thought: make mine pickles.

Mr. PICKLE. Mr. Speaker, will the gentleman yield?

Mr. THOMAS of California. Mr. Speaker, I yield to the gentleman from Texas.

Mr. PICKLE. I thank the gentleman for yielding.

I appreciate the gentleman's description and I do not know how you classify the kind of amendment that I intend to offer, but I would like it to be referred to, since it affects many

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wage earners, that this will be the "bread-and-butter" Pickle amendment.

Mr. PEPPER. Mr. Speaker, will the gentleman yield?

Mr. THOMAS of California. I yield to the gentleman from Florida.

Mr. PEPPER. I thank the gentleman for yielding.

Mr. Speaker, I want to say to the able gentleman when he finally makes a difficult choice between the Pickle and the Pepper I hope he will choose the Pepper even if it makes his eyes water.

Mr. Speaker, I have no further requests for time. I move the previous question on the resolution.

The previous question was ordered. The resolution was agreed to.

A motion to reconsider was laid on the table.

□ 1100

The SPEAKER. Pursuant to House Resolution 126 and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 1900.

The Chair appoints the gentleman from Kentucky (Mr. NATCHER) to prescribe over the Committee of the Whole.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 1900, to assure the solvency of the social security trust funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes, with Mr. NATCHER in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the first reading of the bill is dispensed with.

Under the rule, the gentleman from Illinois (Mr. ROSTENKOWSKI) will be recognized for 2 hours, and the gentleman from New York (Mr. CONABLE) will be recognized for 2 hours.

The Chair recognizes the gentleman from Illinois (Mr. ROSTENKOWSKI), the chairman of the Committee on Ways and Means.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield myself 20 minutes.

Mr. Chairman, we are here today to address the very serious and critical shortfall in funding for the social security system. This legislation has been fashioned with meticulous actuarial estimates and conservative economic forecasts. It reflects the political sensitivities of dealing with a program which touches the lives of millions of people every day. It is the product of a long and arduous legislative path which led inside, then outside of Congress—and, finally, back again. It has not been an easy journey.

Our chief aim today is not simply to fill in the numbers and do what is necessary to shore up this program. Our chief aim is to reaffirm our commit-

ment—this Nation's commitment—to its national system of basic retirement income security. In that sense, there are very few votes any of us will cast here which are more historic.

In 1937, when social security began, the Great Depression continued to permeate a stagnant economy. Millions were unemployed and many elderly, after lifetimes of hard work, were without an independent means of sustaining themselves; 46 years later, in the midst of another difficult time, we understand and appreciate the value of this system. We value it so highly, in fact, that we have fashioned a bipartisan solution to its problems. As politically charged as this issue has been, in the end we will all do our duty, and that is the best measure of the worth of this system.

A succession of negative events brings us here today. We realize that historically unique economic circumstances, especially during the decade of the seventies, have plagued the system. The double-edged pain of inflation pushed cost-of-living increases ahead of our ability to sustain them; and the specter of a lingering recession sapped payroll-tax revenues precisely as benefits were going up. These were things the planners never envisioned. We are chastened by the experience.

Never again can we allow ourselves the luxury of unbridling the desire to increase benefits without first securing—for certain—our ability to pay for those increases. This, too, we have learned.

We now know that in addition to careful and prudent planning, we need to gird ourselves against those circumstances we can neither control nor anticipate. Our legislation reflects that lesson.

We also admit, if there was ever any question, that this is still a program the success or failure of which is undeniably linked to the health and growth of the American economy. No guarantee or commitment can change that fact. Each and everyone of us, worker and retiree, must realize that we all have a common stake in putting the country back to work.

For the last 2 years, we have watched the fuse burn on social security—paralyzed by partisan bickering. As Washington maneuvered for political advantage, the balance in the retirement fund continued to fall. One man—JAKE PICKLE—reminded us time and again of our obligation to save the system from bankruptcy. Alone, he introduced a far-reaching bill that pre-saged the bill we bring to the floor today. But the political fences were too high last Congress to make any headway against the crisis. Finally, the leaders of both parties turned to a bipartisan commission to lift the issue above the campaign fray.

At the time, it seemed little more than a political expedient. Few believed that Alan Greenspan and the other members of the commission

could agree on the dimensions of the social security problem—much less a short-term refinancing plan. But the commission defied all Washington axioms and brought forth a reasoned, balanced proposal.

It was on that day—January 20—that the issue passed to Congress for final negotiations. The pace with which the bill moved from the first day of hearings to a final committee vote of 52 to 3 belies the political difficulties and the technical complexities that we overcame.

While the commission gave us a solid outline for a short-term financing plan, it was unable to reach a consensus on how to close the deficit margin in the long run. The commission also left a number of critical questions—like the formula by which benefits are taxed—for Congress to answer. Also left for Congress to face, were the passionate interest groups that have always been divided along deep, philosophical lines.

The bill we bring to the floor today, H.R. 1900, presents no easy choices. We are asking you to better regulate the system's give and take by exacting greater contributions both from those who pay for retirement benefits, and those who receive them. Covering new Federal employees, taxing benefits, delaying the cost-of-living adjustment, accelerating payroll taxes, changing the long-range benefit formula—are all unpopular. Voted separately, not one of these provisions would survive. But together, the sacrifice they demand is fairly spread; together, the system is saved. And there lies the strength of the plan.

The near-term financing package, which raises \$165 billion through the end of the decade, largely reflects the recommendations of the Greenspan commission:

The bill brings the following groups under social security beginning in 1984: All Federal employees hired on or after January 1, 1984; all legislative employees not participating in the civil service retirement system by the end of this year; all Members of Congress, the President, and the Vice President, all new employees of the judicial branch, as well as sitting Federal judges; and all political appointees.

The bill obligates coverage to all employees of nonprofit organizations as of January 1, 1984, with special provisions for employees age 55 and older.

The bill prohibits State and local governments from terminating employee coverage after the date of enactment.

The bill delays the June 1983 cost-of-living adjustment, or COLA, until the January 1984 check, and fixes all future COLA's at the beginning of each year.

The bill bases the COLA on the lower of CPI increases or the increase in average wages beginning in 1968 if, on the first of each year, the fund ratio of the combined OASDI trust

funds is less than 20 percent. A catch-up benefit would be paid if the ratio exceeds 32 percent.

The bill gradually increases the delayed retirement credit from 3 percent to 8 percent per year between 1990 and 2010.

The bill includes in taxable income, beginning in 1984, a portion of social security benefits and tier 1 benefits payable under the Railroad Retirement Act for taxpayers whose adjusted gross income combined with 50 percent of their benefits exceeds a base amount of \$25,000 for an individual, \$32,000 for a married couple filing a joint return and zero for married persons filing separate returns. The amount of benefits that could be included in taxable income would be the lesser of one-half of benefits or one-half of the excess of the taxpayers' combined income over the base amount. The proceeds from the taxation of benefits, as estimated by the Treasury Department, would be transferred to the appropriate trust funds.

The bill advances the payroll tax increase scheduled for 1985 to 1984 and part of the increase scheduled for 1990 to 1988. Conforming changes would be made in the tier 1 Railroad Retirement Tax rates.

The bill provides for a one-time credit of 0.3 percent of wages to be allowed against 1984 employee FICA and tier 1 railroad retirement taxes. Appropriations to the old age and survivors and disability insurance trust funds would be based on a 7-percent rate. Conforming changes would be made in tier 1 railroad retirement tax rates.

The bill provides that, beginning in 1984, the OASDHI rates for self-employed persons will equal the combined employer-employee OASDHI rate. In addition, self-employed persons would be allowed a SECA tax credit of 2.1 percent of net self-employment income in 1984, 1.8 percent from 1985 through 1988, and 1.9 percent thereafter.

The bill provides for a lump-sum payment to the OASDI trust funds from the general fund of the Treasury for additional benefits and potential taxes arising from gratuitous military service wage credits.

The bill increases the Federal SSI benefit payment by \$20 a month for individuals and \$30 a month for couples, effective July 1, 1983, to cushion the effects of the COLA delay.

We have learned some sobering lessons about the fallibility of economic projections since 1977. Today we give you no false promises about guaranteeing the solvency of the social security system well into the 21st century. We have based our decisions on conservative, if not pessimistic, assumptions regarding economic and demographic performance.

We have designed a series of three fail-safe provisions to assure full retirement benefit payments—particularly in the short run—should econom-

ic conditions dramatically worsen. The first permits interfund borrowing from the disability and hospital funds from 1983 to 1987, with repayment of principal and interest no later than 1989. The second credits the OASDI trust funds, at the beginning of each month, with the amount of payroll tax revenues expected to flow in over that month. And the third requires the Board of Trustees to report immediately to Congress any threats of shortfall in the trust funds, along with corrective recommendations.

Perhaps the most courageous choice the House makes today is to reach beyond the immediate deficit and confront the system's financial troubles beyond the turn of the century. Solving the near-term financing crisis responds to the fears of those at or near retirement age. Responding to the deficit that looms in the next century makes a promise to our children—many of whom doubt the system's capacity to pay benefits when they reach retirement age.

In that regard, the committee's bill reaches beyond the commission's report to confront the long-term—or 75-year—deficit—which rises sharply after the turn of the century as the "baby boom" begins to claim its retirement benefits.

Agreeing that Congress must bring the system into long-range balance proved easier than agreeing on a particular formula.

The committee bill reduces initial benefit levels by 5 percent in each of 8 years, beginning in the year 2000, and increases the OASDI tax rate by 0.24 percent for employers and employees in 2015.

A majority of the committee believes that making slight adjustments in taxes and benefits remains true to the enduring theme of this social security bill—to ask both those contributing to the system and those receiving benefits to share the price of long-term solvency.

The committee's solution attacks the problem head on by reducing overall benefit levels through the formula. The primary reason for the longrun deficit is the increase in real benefits guaranteed by the current benefit formula. A minimum wage worker in the year 2045 will get benefits with the same purchasing power as a maximum wage earner gets today. H.R. 1900 will, therefore, cut back only slightly on the future real benefit increases already guaranteed. Furthermore, this reduction will affect all beneficiaries in the same way, regardless of their benefit level or work history, or when they choose to retire.

The committee solution also raises taxes slightly in 2015—the first increase since 1990. Because social security is a pay-as-you-go program, it is reasonable to raise taxes from time to time. In fact, future social security taxes as a percent of GNP actually fall, while the program's cost as a percent of GNP remains fairly steady.

Therefore, as the Nation's economy expands, and workers' productivity increases, a slight increase in taxes will not harshly affect workers.

The bill then moderates future increases in real benefit levels, without reducing their purchasing power. The tax increase called for takes place at a time when the scheduled tax burden will be proportionately lighter for workers than it is right now. Those expecting to receive benefits in the next century would be assured that the system is solvent, while those who will be working to support those benefits will have the assurance that only a modest increase in taxes will be required to maintain a sound social security program for their parents and them.

Under the rule, the House will vote on two long-term alternatives to the committee compromise. The first would close the deficit gap by simply raising the payroll tax on workers. The second achieves the same end by only raising the age at which full benefits are paid. One proposal puts the burden on future workers. The other puts the burden on future beneficiaries.

The committee approved two additional measures which we believe are timely and necessary.

First, in response to the alarming rate of unemployment and the hardships faced by millions of unemployed, the committee extends for 6 months the Federal supplemental compensation program (FSC). This program, which is due to expire on March 31, 1983, will provide up to 14 weeks of benefits to individuals who have exhausted all other unemployment compensation.

When this program was enacted last fall, it was hoped that strong signs of economic recovery would emerge during the program's 6-month duration. Unfortunately, the unemployment rate remains over 10 percent and holding. Over 11 million Americans are out of work. Jobless workers are exhausting their unemployment benefits at the rate of 300,000 per month and are depending on these additional weeks of FSC in order to provide for themselves and their families until they find employment.

In addition, the committee was concerned about the 1.2 million people who will have exhausted their original FSC benefits by April 1, 1983. A simple extension of the program would not help these individuals. Recent unemployment statistics indicate that as the economy improves, these long-term unemployed individuals will be the last to be rehired. For these reasons, the committee bill provides up to 10 more weeks of FSC to individuals who have or soon will have exhausted their original FSC entitlement. These additional weeks of FSC benefits will help those who have been unemployed for the longest period of time and who are in the greatest need of assistance.

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The second is a major reform in medicare hospital reimbursement, phasing in a new system of prospective payments for inpatient hospital services. By determining payment amounts in advance, the bill enables medicare to become a prudent purchaser, and improves the ability of both Government and hospitals to do financial planning.

Even more important is the change in incentives that prospective payment offers by rewarding cost-effective hospital practices. No longer will medicare reimbursement be based solely on cost; instead efficient hospitals will have an opportunity to reap financial rewards. In no case would hospitals be able to charge medicare beneficiaries more than the deductible and coinsurance permitted under present law; the medicare payment to the hospital would represent full payment as it does today.

The financial status of the medicare hospital insurance program is not good. However, prospective payments for inpatient hospital care represent a vital first step in putting the medicare program on the road to financial health.

At this point, I want to commend my committee colleagues, ANDY JACOBS and HENSON MOORE. In a nonpartisan manner, they have molded a balanced provision that responds to legitimate questions raised and moves the medicare hospital reimbursement system forward in a creative and responsible way.

Mr. Speaker, I mentioned at the outset that this bill has been produced under a most demanding schedule, in a most bipartisan way. The committee members worked long hours in both formal and informal meetings to develop this package. It was an effort that required everyone to compromise somewhat, but compromise did not dilute the final product. In fact, it was strengthened by the influx of new ideas.

In an institution where cliches and buzzwords abound, I hesitate to close with reference to the term "bipartisan." Too often we use the word to describe our behavior on issues that either have no opposition, or are so controversial that we seek the cover of the support of our political opposition.

But today, in the genuine meaning of the word, I want to thank my committee colleagues on both sides of the aisle for 2 years worth of bipartisan ship on this matter. Your unwillingness to participate in the partisan bickering on this matter in 1981 and 1982 made our efforts so much easier this year. JAKE PICKLE—you kept us on course. BARBER CONABLE—you helped make genuine consensus possible. And finally BILL ARCHER—your opposition to the committee bill was presented with conviction but grace.

In conclusion, Mr. Chairman, social security divides us into two Americas—those who pay and those who receive. The crisis which we now face has

brought both sectors together. Under the bill developed by the Committee on Ways and Means, each is contributing to a financial compromise that restores a common faith in the Nation's largest social program.

I ask you today to support that compromise.

□ 1115

Mr. CONABLE. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, this is an historic debate and a tremendously important issue for the American people and for the Members of this Congress. We can be confident that the scholars of the future will pore over this debate to divine the congressional intent back of what is a very complex measure, but nevertheless a very important measure.

For that reason, Mr. Chairman, I am particularly pleased to have one of our ablest Members, the gentleman from Minnesota (Mr. FRENZEL) to open the debate for the minority. I yield to the gentleman from Minnesota 5 minutes.

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Chairman, today the U.S. House of Representatives must make a critical decision on our social security system. As usual, the choices are not presented in a form that many of us would choose ourselves.

Each of us has a personal favorite combination of changes that we think is the fairest and most effective way of making the social security financing system whole. We are not, however, going to vote on each Member's favorite plan. Instead, we are going to have to choose between the Social Security Commission's plan and total chaos.

In my judgment, H.R. 1900 is faithful to the Commission's final report. In general, it makes the legislative changes recommended in that report, and leaves the decision on the long-term shortfall solution to be made by the House in votes on amendments.

H.R. 1900 meets the \$150 to \$200 billion shortfall projected through 1989 in just about the same way the Commission suggested. The Ways and Means Committee improved upon the Commission's suggestions where necessary, but the general framework was left unchanged. The committee has also provided the House with a choice of three different methods of financing the long-term problem.

Short-term financing, the emergency problem, is, as usual, provided mostly by going back to the taxpayers for more money. Of the \$165 billion provided for in the package, less than one-fourth, or about \$40 billion, comes out of the hides of beneficiaries. All of the rest, more than three-fourths of the entire package, comes through an ingenious variety of new or increased taxes.

Beneficiaries are taxed an extra \$27 billion in income taxes. Employers and

employees pay an extra \$40 billion more in payroll taxes. Self-employed people pay \$19 billion more in social security taxes than under current law; \$25 billion will come from payroll taxes on new Federal employees, employees of nonprofit organizations, and other organizations, such as State or local governments, which would like to terminate their coverage, but cannot.

Finally, the general taxpayers will have to ante up an additional \$17 billion to pay up the back credits given to armed services personnel when they were made eligible years ago. Altogether, that is a total of new and increased tax bite of over \$125 billion over the next 5 years.

That is not my idea of the best way to solve the problem. It is, however, the only way to solve the social security financial crisis now available to us. If this plan does not pass, we will get red ink by this summer. Chaos will follow. Temporary borrowing from General Treasury Funds, now already over \$1 trillion in deficit, will be the first resort. Nobody knows what the last resort will be.

We simply must vote for the committee bill, and hope that the Senate comes to the same conclusion.

For the long term, I strongly support the Pickle amendment to increase the retirement age over the other two alternatives. Of the three, the total-tax alternative is by far the worse.

The 1977 Social Security Amendments contained far too great of an increase in taxes, as compared to benefit restructuring. This bill today raises them unmercifully again. We simply cannot go back to that well once again to cure the long-term shortfall. Raising the age of normal retirement by only 2 years, well after the turn of the century, is a reasonable way to do the job.

The Pickle amendment will give American working people 25 years to plan their retirement. Based on increases in life expectancy, and our desire to keep older Americans on the job if they can and want to work, the age 67 amendment makes sense.

Concerning the extraneous elements, railroad retirement, SSI, medicare, and unemployment compensation, none should be in the bill.

Railroad retirement decisions should be made elsewhere, at another time. The Ways and Means Committee deleted the worst of the railroad retirement features, but a pernicious issue remains unsettled which, if not clarified, could have the result of taking money that rightfully belongs in the social security trust fund and placing it in the railroad retirement fund.

The SSI provisions are necessarily included, but are unnecessarily generous. In this area, the Ways and Means Committee went far beyond the Commission's recommendations. The unemployment compensation provision, too, goes far beyond the administra-

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tion's recommendation, and on its own, would not be supportable at the levels provided.

The medicare changes are for the most part worthwhile, and, although they should have been handled separately, their inclusion is not a bad thing.

Overall, the choice may not be the one each of us wants, but it is a clear choice. If we vote, as we should, for H.R. 1900, we can save the social security system, absent some unusual economic conditions. If this bill fails, we will deserve the chaos that results.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 15 minutes to the gentleman from Texas (Mr. PICKLE).

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Chairman, I rise in strong support of the bill. The responsibility this House faces today goes beyond assuring our elderly that their social security benefits will be paid, and beyond that, assuring future generations the social security program will be there when their turn comes. When we can pass this bill today, and I hope we can pass it expeditiously and with a minimum of bitter debate, then we will have enhanced confidence in our ability to govern. And we will do more for our economy than just about anything else we could do.

More than passage of a social security bill is at stake here, and pass a social security bill we must.

Social security affects 36 million beneficiaries every month, and through them every American family. It pays out benefits in monthly checks of \$170 billion a year, and an additional \$40 billion in medicare hospital payments. Any program this large gets to be terribly important. Social security is even more important because it is not just large—it is also part of the fabric of our family life and of the economic life of our Nation.

We know the issues we face. We have squeezed, massaged, molded, ignored, and finally faced up to these issues many times over in the past few years. Simply put, social security needs a substantial boost in this decade and real structural reform in the next century. The vote the House Members face today is to do what we can to insure social security benefits for the coming years and the coming generations. We must restore confidence in our young wage earners.

Even before we begin, we have to acknowledge the extraordinary cooperation that goes into the shaping of any major bill such as this one. Republican and Democrat, liberal and conservative, have come together to do what is right—preserve social security, make it strong, and restore the peoples' confidence in her.

My own subcommittee—all the members that have served this Congress and last—have shown an extraordinary courage, restraint, and willing-

ness to move forward for the common good regardless of our personal preferences.

I pay my respects to the members of my subcommittee, the gentleman from Missouri (Mr. GEPHARDT), the gentleman from Massachusetts (Mr. SHANNON), the gentleman from Georgia (Mr. FOWLER), the gentleman from California (Mr. MATSUI), the gentleman from Arkansas (Mr. ANTHONY), the gentleman from Indiana (Mr. JACOB). These men have worked harmoniously together to help us keep this package together and advance it to the floor.

My own chairman, the gentleman from Illinois, Mr. DAN ROSTENKOWSKI, has entered into this contest and pushed and pushed to do what is right and what is responsible. His leadership has been more than essential. His leadership has been important and helpful and has been enlightened and we cannot overplay the importance of the role he has played, Mr. Chairman, in advancing this bill to the floor.

I am mindful of the remark the gentleman made to the gentleman from Texas and I reciprocate manifold, but I appreciate the gentleman's leadership, Mr. Chairman. We have had cooperation from the other side of the aisle. We have had the clear thinking, as usual, of the gentleman from New York, BARBER CONABLE, and we have had excellent cooperation from the gentleman from Ohio (Mr. GRADISON) and the gentleman from California (Mr. THOMAS). We have had the courageous presentation and views of the gentleman from Texas (Mr. ARCHER) and the gentleman from Illinois (Mr. PHILIP CRANE) and we have done it in the spirit of cooperation, although we might have had some differences, and I appreciate that.

Other individuals from outside the Congress have played key roles. In particular we currently are indebted to Alan Greenspan and the other members—in and out of Congress—of the National Commission on Social Security Reform who took on an herculean task and stayed with it until the last moment—until the task was complete.

The National Commission put together from unacceptable provisions an acceptable package, and that is what we must move forward today.

The bill presented to you by the Committee on Ways and Means parallels closely the recommendations of the National Commission on Social Security Reform. It is a bipartisan bill. It was reported from the committee by a vote of 32 to 3, an extraordinary, an impossible achievement.

While any one of us could make a case of the harshness or the undesirability of any one of the provisions in this bill, taken together, it works. Only one major question remains, and that is for the House to work its will on how to go about addressing the long-term deficit. All of the options we face there will raise the sufficient funds. It is a matter of deciding what

is the route that will be believable and acceptable to the public—what will do the best job of restoring confidence in this program.

The committee bill raises \$165 billion in the short term between now and 1989. It raises 2.12 percent of payroll, which is slightly over the deficit projected under intermediate assumptions into the next century. It diverges from the Commission recommendations only where there seemed a clear need to refine a recommendation to make it more practically feasible or to fill in actual gaps left to the Congress.

First, the bill has several provisions extending coverage. It would cover newly hired Federal workers, all non-profit employees, Capitol Hill employees not participating in the civil service retirement program, and all Members of Congress, judges, and other elected officials and high-level political appointees. It provides for the elimination of the so-called windfall benefits which accrue to individuals who also work in employment not covered by social security and it would prohibit State and local governments from pulling out of social security. These provisions, combined, raise \$25.4 billion of the \$165 billion in the legislation and 0.47 percent of payroll, or almost one-quarter of the long-term needs of the program. Let me emphasize that again, because there is much rhetoric which has flowed around asserting that extension of coverage would be bad for social security in the long run. Extension of coverage is good for social security both in the short term and in the long term and the facts are just indisputable on that.

It is the committee's belief that extension of coverage is good for the individuals involved as well, and I would like to insert in the RECORD at this point a letter from a career civil servant—and a great statesman—Mr. Robert Ball, which addresses this point. I would like also to insert some materials which the Members will find useful in addressing the questions which naturally come up regarding the effect coverage will have on civil servants and others involved and on the Government.

WASHINGTON, D.C.,
February 17, 1983.

Hon. J. J. PICKLE,
Chairman, Subcommittee on Social Security,
Committee on Ways and Means,
Washington, D.C.

DEAR MR. CHAIRMAN: I fully support the coverage of Federal civilian employees newly hired after January 1, 1984, as recommended by the National Commission on Social Security Reform and the establishment for such newly hired employees of a benefit plan within the Civil Service Retirement system that would build on social security coverage, just as is the case with the pension plans of private employers. I would like to tell you why I take this position.

I spent most of my working career, 30 years, as a Federal employee, and although during the last 11 years of that period I was a Presidential appointee, I have always thought of myself as a career civil servant. I believe that the business of the United

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States is the most important and challenging business in the world, and we must be able to attract to it the best minds and skills of this and later generations. The need for a government of skilled administrators, researchers, policy analysts—the need for creative minds—transcends one's personal views about the proper direction for government. Whether one wishes to move the government in conservative or liberal directions, there is a need for high competence in carrying out the tremendous responsibilities of the United States government.

It follows, therefore, that I would do nothing knowingly to reduce the attractiveness of government service. On the contrary, I am appalled at the limits that have been placed on compensation so that Federal pay is becoming less and less competitive with private industry. We are only hurting our Nation when we make it more difficult to attract and hold the best people to work for us all as government employees.

A good retirement system and other fringe benefits have traditionally been a part of Federal government personnel policy. To some extent these benefits have made up for frequently lower wage and salary levels. I believe it is of great importance to continue the policy of fully adequate retirement and fringe benefits for Federal employees—those presently employed and those hired in the future—as part of the objective of making our Government work well. It is good that the Federal government has been a leader in personnel policy in this area.

I have given the reasons why I favor the coverage of newly hired Federal employees below:

1. In the long run, Federal employees will lose if they are perceived by the public to have been exempted for selfish reasons from our basic, compulsory social insurance system that covers practically everyone else in the country. Social security has the national purpose of providing protection to make up for income loss because of retirement in old age, total disability, or the death of a wage earner in the family. It is a compact between the generations in which all share the burdens and the benefits. It is anomalous, to say the least, that Federal civilian employees are the ones who do not take part in this national effort. For many years now, coverage has been extended to all employment for which it is practical, including military service. I have been on many radio and TV call-in shows in recent years and made many talks on social security to general audiences. I always get the question "How come Federal employees don't have to pay in when I do?"

2. The combination of social security coverage and newly designed benefit provisions within the civil service retirement system for new employees should be set up in such a way that, overall, the combination will provide as good protection as the present civil service system does alone. There is no intention to diminish the protection of these new employees as compared to the presently employed.

3. For many new employees, this arrangement of social security plus a completely independent supplementary plan, as in private industry, would be better than the present civil service plan alone. Social security with its weighted benefit formula is generally more favorable to low-paid employees than the civil service system, and frequently social security is better for those who move in and out of Federal employment, since the possibility of missing eligibility for social security is protected against. Very importantly, full survivorship and disability protection is more quickly achieved under social security. The amounts paid for these risks

are not related to length of service as in the civil service system, but are fully effective quickly, as in an insurance plan.

4. It is true that with extension of coverage to Federal civilian employment, Federal employees will lose an unfair advantage which they now have over those covered by social security throughout their working lives, but it is desirable that this should be the case. At present, about 73% of Federal annuitants who are age 62 or more are also eligible for social security, but they have been granted social security protection under more favorable benefit-to-contribution ratios than are possible for most people. The Federal annuitant picks up social security coverage without having paid into the system over his entire working lifetime, but instead gets the social security benefit based on a partial earnings record in employment outside the Federal government. His or her earnings record under social security therefore has a lot of zero years in it and the average wage on which the benefit is based tends to be low. This gives the Federal annuitant the advantage of the weighted social security benefit formula (the factors in the benefit formula are 90%, 32% and 15%) which was intended to benefit low-paid people. This is not the fault of the Federal employee—there is nothing he can do about it under present law—but the result is such that everyone else in the country is paying somewhat more for social security because Federal employees receive this advantage. Thus the extension of social security to Federal employees reduces the long-range overall cost of the system by about 0.3% of payroll. It is just not true that new Federal employees would be asked to "bail out" the social security to their own disadvantage. On the contrary, extension of coverage would correct an inequity now disadvantageous to those under social security.

5. The notion has been widely circulated that covering new Federal employees under social security would deprive present Federal annuitants and those presently employed by the Federal government of a future source of income needed to pay their retirement benefits. This is not the case. At the present time, the protection furnished by the civil service retirement system—depending on how it is figured—is worth about 38-40% of payroll. Employees are paying only 7% of their earnings toward this protection. The agency for which they work contributes another 7%, and the rest of the benefits will be paid for from general revenues. Thus under present law, the benefits of present workers will be paid for mostly from general revenues, not the contributions of the newly hired.

Moreover, the contributions that the newly hired employees would make toward a specially designed benefit plan within the civil service system would mingle with all other contributions to that system, as is the case today with other special benefit plans in the civil service retirement system, such as those for Members of Congress, congressional employees, air traffic controllers, etc. It is true that the contributions to the civil service retirement system to be made by new Federal employees would be lower than the contributions paid by those already at work because, of course, the supplementary plan on top of social security will be cheaper than the present plan, which is intended to be sufficient in itself. However, these lower contributions will be balanced by the fact that the benefit provisions for the newly hired will have lower long-term costs, and create less liability for the civil service retirement system. You cannot help the civil service retirement system's long-range financing by bringing in new people who pay

7% of earnings toward a liability of between 38% and 40% of earnings.

The civil service retirement system as a whole will not be injured by the proposal to cover the newly hired under social security plus a specially designed benefit plan for this group within the civil service retirement system.

There is apparently widespread misunderstanding among Federal employees about these facts, some even believing that the civil service retirement system is adequately financed by a combination of the 7 percent contributions that they pay and matching contributions from their agency. It is important that these misunderstandings be corrected.

It is not surprising to me that Federal employees are greatly concerned about any proposals affecting their pay, working conditions, retirement and other fringe benefits. Their total compensation is being threatened in a variety of ways, but, in my considered judgment, the proposal to extend social security to newly employees is of an entirely different character. The adoption of this proposal will help, not hurt the presently retired, the presently employed, and the newly hired, and will strengthen, not weaken, the attractiveness of Federal employment, while improving the attitude of the rest of the country toward the Federal employee.

Sincerely,

ROBERT M. BALL.

EXTENSION OF SOCIAL SECURITY COVERAGE TO NEWLY-HIRED FEDERAL CIVILIAN WORKERS

The National Commission on Social Security Reform has proposed extending social security coverage to all Federal employees hired after December 31, 1982. The Commission also proposes that in conjunction with coverage, a new supplemental pension plan for these workers be put in place, so that they would be treated essentially the same as workers in private industry. The following discussion outlines the major issues connected with this proposal, primarily the fiscal impact and the impact on affected workers.

A. IMPACT ON SOCIAL SECURITY

There would be an immediate short-term increase in social security trust fund revenues: about \$10-12 billion, 1983-89. This increase is the result of employee contributions to the OASDI trust fund from newly covered Federal workers and the matching employer contributions from the Federal government. No funds would be taken from the Civil Service Trust Fund; nor would the two systems' funds be merged.

In addition, the social security system would realize long-term savings: .28 percent of payroll. (Coverage of Federal workers accounts for elimination of one-sixth of the long-term social security deficit.) The long-term savings result mainly from two factors:

(1) Elimination of the windfall now available to Federal retirees who collect social security based on very few years work covered by social security. 73% of current Civil Service retirees over age 62 collect social security benefits as well. The weighted social security benefit formula treats these workers like low-wage workers so they get a relatively large benefit based on many fewer years of covered work compared to similar workers covered their whole careers.

(2) Average salaries for Federal workers are higher than average covered wages, so that higher payroll tax contributions would be made for them as a group.

B. IMPACT ON CIVIL SERVICE RETIREMENT SYSTEM (CSRS)

Coverage of new workers will not affect benefits being paid out of the current CSRS system, and current workers will continue to pay their contribution to the system.

Revenues to the CSRS trust fund will be reduced as new workers pay into the OASDI trust fund instead of into CSRS. The extent of the reduction will depend on the nature of the supplemental plan designed for new workers. If this plan is part of the CSRS, then the reduction will be less than 7%. It should be remembered that the CSRS system is primarily funded by general tax revenues; out of an estimated cost of 36% of payroll, only 7% is paid by employee contributions.

Some of the 29% paid by general revenues is interest on the CSRS unfunded liability which is treated as an investment. Thus, reserves of the CSRS trust fund do not depend on revenues coming in from outside the Federal government; they are determined by the amount of benefit obligations the system is calculated to have in the future and the interest on those obligations.

Long-run CSRS benefit obligations (the unfunded liability) will decrease as workers receive more of their total pensions from social security; the exact impact will depend on what sort of supplemental civil service pension is designed for the new workers.

Congress could appropriate funds to the CSRS trust fund to make up for revenues lost because of social security coverage. However, there would be no real effect on the security of the retirement benefits due in the future, since CSRS benefits are not guaranteed by existing revenues in the trust fund, but by the taxing power of Congress. Civil service retirement benefits are entitlements, similar to social security benefits, and can be increased or reduced at any time by Congress, regardless of the reserves in the CSRS trust fund.

C. IMPACT ON THE FEDERAL BUDGET

Covering new Federal workers under social security does not change the total amount being paid out in either civil service benefits or social security benefits in the short run; in the long run, there is a savings to social security.

The difference in revenue to the Federal government would be between the 6.7 percent workers now pay to social security, and the 8.3 percent Federal workers now pay (7 percent to CSRS, 1.3 percent to Medicare). If no change were made in the CSRS law at all, workers would pay both taxes; if a supplemental plan to which workers contributed were enacted, some of this difference would be made up. This difference in revenue is not substantial.

Even if additional payments were made to the CSRS trust fund to make up for losses from social security coverage, the payments would have no effect on the Federal deficit, since general revenue payments into a government trust fund are inside the budget and don't affect total outlays or total revenues.

D. IMPACT ON AFFECTED WORKERS

Civil service retirees would not be affected; their retirement benefits now in the future will depend on the Congress' commitment to continue to pay full benefits.

Many Federal workers would be better off if covered by social security:

(1) Social security provides family and survivor benefits with no reduction in the benefit of the worker, unlike CSRS, which requires retirees to take a reduced annuity in order to provide benefits to their survivors.

(2) Disability protection under social security requires recent covered employment, so

that workers leaving Federal service are without disability protection for several years.

(3) Over half of all workers who enter Federal employment will eventually leave Federal service with no eligibility for CSRS benefits; if they take their contributions with them, they receive no interest on contributions after the first 5 years, or employer-share on any contributions. Thus, their eventual social security benefits may be lower than if their Federal employment had been covered, and they will not have received any benefit at all from their contributions to CSRS.

(4) The Federal employees who are low-paid would receive the advantage of the social security weighted benefit formula. The Civil Service benefit formula gives a greater advantage to higher-paid long-career workers.

QUESTIONS AND ANSWERS ON COVERAGE OF FEDERAL WORKERS UNDER SOCIAL SECURITY EFFECT ON SOCIAL SECURITY

Q. How can covering new Federal workers under social security save money for social security since these workers will draw benefits out in the future? Won't this just make social security's long-run problem worse?

A. Social security would realize a large long-term savings from covering new Federal workers: .28 percent of taxable payroll, a sizable contribution to solving the 1.8 percent long-term deficit. The long-term savings results mainly from two factors:

(1) Elimination of the windfall now available to the large majority of Federal retirees who collect social security based on very few years of work covered by social security. The weighted benefit formula treats these workers like low-wage workers so that they receive a relatively large benefit based on many fewer years of covered employment years compared to similar workers covered their whole careers.

A recent study (Social Security Bulletin, February 1983) has found that 73 percent of all Federal retirees over 62 are entitled to social security benefits, and that the percentage is steadily increasing. Most of these workers are collecting a heavily weighted social security benefit that they paid relatively little for, in comparison with a worker in private industry who made similar wages that were covered by social security.

This windfall means that all workers in covered employment are subsidizing the weighted benefits for Federal retirees, whose civil service benefit is already supposed to take the place of both social security and a private pension. These weighted benefits were meant for long-term, low-wage workers with few other sources of retirement income, not for retirees with pensions that already are meant to replace social security.

(2) Another reason for the long-term savings to social security is that average salaries for Federal workers are higher than average covered wages. Therefore, higher payroll tax contributions would be made over the long term for Federal workers than for a similar number of private sector workers.

Q. Why can't you just eliminate the windfall in the social security benefit formula and leave Federal retirees' benefits alone?

A. The long-term savings could be achieved in part by addressing the windfall question alone, and changing the formula for workers with non-covered employment. However, no short-term savings would be realized, and the Commission's consensus package depends heavily on the immediate revenues from coverage.

Furthermore, eliminating the windfall would only reduce social security benefits

for those Federal workers who actually do qualify for civil service retirement benefits. It would do nothing for the majority of Federal workers who leave Federal service without qualifying for civil service retirement benefits. Over half of all Federal workers never collect anything from CSRS; they are the least likely to have social security coverage when they leave Federal service, and the most likely to need the protection social security provides for families against disability and death of the worker. It should be remembered that social security as the Nation's basic social insurance system, was founded on the principle of universal mandatory protection for all workers. In the absence of universal coverage, both windfalls for workers gaining protection under both social security and CSRS, and gaps in protection for workers who move between the two systems are created.

Q. What will happen to the retirement benefits of new Federal workers who come under the social security system?

The retirement benefits of new Federal workers will depend on the supplementary plan enacted in addition to social security coverage.

Many Federal workers would be better off if covered by social security:

(1) Social security provides family and survivor benefits with no reduction in the benefit of the worker.

(2) Disability protection under social security requires recent covered employment; workers who leave Federal service are without disability protection for several years.

(3) Over half of all workers who enter Federal employment will eventually leave Federal service with no eligibility for CSRS benefits; if they take their contributions with them, they receive no interest on contributions made after the first five years, or employer-share for any of their contributions. Thus, their eventual social security benefits will be lower than if their Federal employment had been covered, and they will not have received any benefit at all from their contributions to CSRS.

IMPACT ON CIVIL SERVICE RETIREMENT SYSTEM (CSRS)

Q. The CSRS trust fund is fully and soundly financed now. Covering new workers under Social Security will cut off new revenues from CSRS, and the CSRS trust fund will eventually go bankrupt. How are future retirement benefits of current workers and retirees going to be guaranteed?

A. The basic answer to this question is that the political will of Congress must guarantee Federal retiree benefits in the future, just as it does now.

Revenues to the CSRS trust fund will decline as new workers pay into the OASDI trust fund instead of into CSRS. However, the CSRS system is primarily funded by general tax revenues; out of an estimated cost of 36% of payroll, only 7% is paid by employee contributions.

Reserves of the CSRS trust fund do not depend on revenues coming in from outside the Federal government; they are determined by the amount of benefit obligations the system is calculated to have in the future and the interest on those obligations. A large part of the 29% paid by general revenues is interest on the CSRS unfunded liability which is treated as an investment.

Long-run CSRS benefit outlays will decrease as workers receive more of their total pensions from social security; the exact impact will depend on what sort of supplemental civil service pension is designed for the new workers.

Congress could appropriate funds to place in the CSRS fund to make up for revenues

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lost because of social security coverage. However, there would be no real effect on either the security of the retirement benefits due in the future, or on the taxpayer. The CSRS trust fund is primarily a mechanism for determining how much general revenues should be appropriated each year to cover the current and future costs of the program.

CSRS benefits are therefore not guaranteed by existing revenues in the trust fund, but by the taxing power of Congress. Civil service retirement benefits are entitlements, similar to social security benefits, and can be increased or reduced at any time by Congress, regardless of the reserves in the CSRS trust fund.

PIA'S AND REPLACEMENT RATES AT AGE 62 FOR STEADY WORKERS UNDER PRESENT LAW AND ALTERNATIVE PROPOSALS TO ELIMINATE WINDFALL BENEFITS—ASSUMING PROPOSALS FULLY EFFECTIVE *

40-year employment history		Present law		61-percent factor proposal *	
In uncovered employment	In covered employment	PIA	Replacement rate ^a (percent)	PIA	Replacement rate ^a (percent)
Career low earner (one-half average earnings)					
0	40	\$352	58	\$352	58
5	35	352	58	*329	*54
10	30	324	62	*275	*52
20	20	268	77	190	54
30	10	156	90	106	61
Career average earner					
0	40	548	45	548	45
5	35	548	45	*502	*41
10	30	492	47	414	39
20	20	380	54	362	43
30	10	268	77	190	54
Career high earner (twice average earnings)					
0	40	801	33	801	33
5	35	801	33	722	30
10	30	748	36	670	32
20	20	604	43	526	38
30	10	380	54	302	43

* January 1984 PIA's and replacement rates (PIA's as a percent of covered AIME) based on intermediate II-S assumptions used in 1982 Trustees Report. Assumes (A) program matures in 1984, (B) worker's uncovered employment with Federal Government followed covered employment.

* Replacement rate equals initial PIA as a percent of AIME.

* The 1984 PIA under the proposal would be equal to the higher of (A) 61 percent of the first \$270 of AIME, plus 32 percent of the next \$1,350 of AIME, plus 15 percent of remainder (replaces current 90 percent factor with 61 percent factor) or (B) present law PIA minus one-half of the portion based on uncovered employment. (These PIA's and replacement rates computed under the latter approach are marked with an asterisk (B) above).

Second, the bill delays the 1983 cost-of-living adjustment by 6 months until January 1984, at a savings of \$39.4 billion in this decade and 0.3 percent of payroll over the long term. Again, this is an important portion of the short- and long-range needs of the program. This action will reduce benefits for the average worker beneficiary by somewhere around \$85 this year and a comparable amount in succeeding years. But I think our elderly will accept this one delay because I think that they have shown a willingness to help us hold this package together and share the burden of maintaining the overall social security program.

The committee bill does, in another part, provide for relief in this area for those elderly and disabled on SSI. It also contains a guarantee that the January 1984 COLA will be paid regardless of whether the cost of living drops below the 3-percent trigger now in the law.

Third, the committee bill follows the recommendation of the National Commission to include one-half of social

security benefits in taxable income—but phased in so that by using bases of \$25,000 for an individual and \$32,000 for a couple there will be no notches. Moreover, no individual with outside income of less than \$20,000 and no couple with outside income of less than \$25,000 would be affected at all. Since this money will be redeposited in the trust funds, it provides a substantial portion of the short-term needs of the system—some \$26.6 billion—and a major portion of the long-term funding needs of social security—0.61 percent of payroll or almost 30 percent of the long-range funding in the bill. Only 0.5 percent of all beneficiaries will be affected by this provision next year.

I would like to insert in the Record some examples of how this provision would affect various individuals.

COMMITTEE RECOMMENDATION ON TAXATION OF BENEFITS ¹

	Example A	Example B	Example C	Example D
Old AGI	\$20,000	\$22,000	\$28,000	\$30,000
Fifty percent of benefits	\$4,200	\$4,200	\$4,200	\$4,200
Combined amount	\$24,200	\$26,200	\$32,200	\$34,200
Base amount	\$25,000	\$25,000	\$25,000	\$25,000
Excess		\$1,200	\$7,200	\$9,200
Fifty percent		×.5	×.5	×.5
Taxable social security		\$600	\$3,600	\$4,600
New AGI		\$22,600	\$31,600	\$34,200
Percent of social security benefit taxed		0.6	7.1	42.9

¹ All examples are based on a single person who retires with maximum benefits in 1984 at age 65.

* The lower of 30 percent of benefits (\$4,200) or one-half the excess (\$4,600) is included in AGI.

Note.—The amount of social security benefits includable in tax income would be equal to the lower of (a) other AGI plus one-half of social security benefits minus the threshold, with the remainder multiplied by one-half or (b) one-half of social security benefits. The threshold is to be \$25,000 for a single return, \$32,000 for married filing jointly. Mar. 4, 1983.

Fourth, the committee bill makes several changes in social security taxes. It speeds up already scheduled tax increases by moving the 1985 increase up to 1984 and part of the 1990 increase up to 1988. It increases the self-employment tax. The committee complied with the Commission request to provide some relief for the 1984 speed-up of payroll taxes through a credit for employees and extends a similar credit to the self-employed. Again, these provisions, which are troublesome to many, are an integral part of this package. They raise \$57.9 billion in this decade and 0.22 percent of payroll over the long term, mostly through the SECA increase.

Under the bill employees will pay a 6.7-percent tax in 1984, but the trust funds will be credited with a full 7-percent rate. In 1985, both will pay 7 percent. In 1988, the rate will go up to 7.51 percent, with some intervening increases for medicare, and in 1990 to 7.65, the same rate as under current law. This will result in a maximum increase of \$485 over current law between now and 1990.

The self-employed have traditionally paid three-quarters of the combined employer/employee tax rate and only

the employee portion of the medicare tax rate. But they have always received full benefits for these payments. Following are further explanations of this provision:

TAX CREDIT FOR SELF-EMPLOYED

Under the committee bill, the payroll tax rate for self-employed individuals, known as the SECA tax, will increase to the combined employee-employer payroll tax rate. The President's Commission and the subcommittee had recommended that self-employed workers be allowed to deduct 50 percent, or the "employer" share of their payroll tax payment as a business expense in order to reduce the burden of the increase.

The committee bill replaces this 50-percent tax deduction with the equivalent of a 12.9-percent tax credit against the self-employed, or SECA payroll tax rate. This change to a tax credit resulted in the same revenue loss from the Treasury as the 50-percent tax deduction, \$11 billion from 1984 to 1989. The tax credit, however, spreads the relief evenly for all self-employed workers, while the tax deduction approach favored self-employed workers in high income tax brackets.

For administrative simplicity, the 12.9-percent tax credit was translated into a reduction in the SECA tax rate of 2.1 percent ¹ in 1984, 1.8 percent in 1985-87, and 1.9 percent for 1988 and subsequent years. There is no loss to the social security trust funds since they will be credited with the amount of the full self-employed tax rate. The revenue loss from the credit will be borne by the general fund.

SELF-EMPLOYED GASDOLN TAX RATE

	[In percent]			
	Current law	Ways and Means bill		
		Tax rate	Credit	Net tax rate
1984	9.35	14.00	2.1	11.90
1985	9.90	14.00	1.8	12.30
1986-87	10.00	14.30	1.8	12.50
1988	10.00	15.02	1.9	13.12
1989	10.00	15.02	1.9	13.12
1990	10.75	16.30	1.9	13.40

1984 maximum SECA; 14 percent rate; \$37,500 earnings

	Dollars
SECA tax	\$5,250.00
SECA credit	787.50
New liability	4,462.50
Current law liability (9.35)	3,506.25

Total increase 956.25

1984 average SECA; 14 percent rate; \$25,000 earnings

	Dollars
SECA tax	3,500.00
SECA credit	525.00
New liability	2,975.00
Current law liability	2,337.50

Total increase 637.50

¹ Includes a 0.2-percent tax rate reduction available for 1984 only for both employees and self-employed.

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Fifth, the bill enacts a series of changes which are designed to continue smooth benefit payments this year and insure benefit payments throughout the decade; namely, it would provide for a general revenue transfer of some \$17.7 billion which will reimburse the trust funds for military wage credits in advance and credit the trust funds for uncashed OASDI checks. Let me be very clear that these provisions do not provide to the funds general revenue that would not come to them anyway and that these provisions are necessary to continue retirement payments through 1983 without further depleting the other trust funds.

The committee bill follows this with a three-part procedure to safeguard payments for the rest of the decade: First, it would institute a new accounting procedure proposed by the administration for crediting tax receipts to the trust funds at the first of the month, when the money is needed for benefit payments. This will have a significant impact on trust funds reserves, which will be very important in the immediate years ahead. Second, it would allow interfund borrowing between the funds for 1983-89. And third, it would require the trustees to report immediately to the Congress with a specific legislative plan of action whenever the amount in any trust fund is unduly small.

Sixth, the bill makes several other changes, some of which are of general interest, but most of which are technical in nature. I mention only three here.

INVESTMENT OF SOCIAL SECURITY TRUST FUNDS

The bill made several changes to increase income and reduce public criticisms. The two most important changes are:

First, investments would be made at the higher of two interest rates, the current law rate or a new short-term rate;

Second, long-term obligations, that is, from 1 to 15 years, would be eliminated and the rate earned by the trust funds would change monthly.

ELDERLY AND DISABLED TAX CREDIT

The bill provides a new credit for the elderly and disabled who do not receive social security. The credit is designed to phase out at approximately the same levels that taxation begins for those who do get social security retirement or disability benefits.

The credit is equal to 15 percent of a base amount which is reduced by amounts received under social security and half of adjusted gross income above a certain point, \$7,500/\$10,000.

The base amount is \$5,000 for a single, \$7,500 for a joint return.

ELECTIVE COMPENSATION

Under a cash-or-deferred arrangement (section 401(K)), a covered employee may elect to have the employer contribute an amount to the plan on the employee's behalf or to receive the amount directly in cash. Amounts con-

tributed to the plan are excluded from income tax and FICA.

Employees who participate in 401(K) plans whose total annual earnings are below the social security annual taxable wage base (\$35,700 in 1983) or whose contributions to the 401(K) plan reduce the amount of their social security earnings below the annual taxable wage base forego social security benefits which would have been based on the amounts which they contributed to the plan (up to the difference between his actual earnings and the wage base).

Therefore, the participation of some workers in a 401(K) plan—which is designed to provide retirement income—may actually result in the loss of certain amounts of social security benefits (including, but not limited to, retirement benefits).

In addition, similar elective arrangements and tax treatment exist under cafeteria plans (section 125)) (which provide a choice between taxable and nontaxable amounts) and tax-sheltered annuities (section 403(b)) (which often take the form of salary reduction agreements).

The committee bill provides that, to the extent that an employee could have elected to receive cash, employer contributions to these three elective compensation arrangements will be treated as wages for social security tax and benefit purposes.

This treatment is justified, in part, on the grounds that when an employee is offered a choice, between cash or a fringe benefit that is excluded from social security coverage and taxation, he has "constructively received" the amount of the cash. Under this viewpoint, the employee is considered to have been paid the cash and chosen to spend it for the fringe benefit himself. Since there is no exclusion for payments a worker makes from his own funds to these benefits, the value of the fringe benefit will be treated as wages for social security coverage and tax purposes.

Seventh, the bill takes perhaps the most important step of all and, combined with the rule and the floor amendments to be offered, gives the House a chance to determining how it will solve the remaining long term needs of the social security program.

I say how, not whether, because we must reduce the current long-term deficit as best we can if we are ever to restore confidence in this program. The committee bill takes the route of using a combination of benefit reductions and tax increases. Two amendments will be in order—one wholly to raise taxes and one to raise the age of full retirement. Whichever route we take, our victory will be that we will resolve the current long-term deficit.

There simply is no question that social security faces long-term problems.

It is true that, once we pass the 1980's, matters look fairly favorable for the social security retirement pro-

gram for a number of years. But that does not mean we should ignore the long term. To do so suggests that there is no firm basis or pattern to the long-term projections and that the potential imbalance, especially in the later years, is caused more by putting random numbers together than by discernible economic or demographic events. The fact is the projected imbalance in the final 25-year period of the long-term projections is over 26 percent of program costs, way above the 5 percent standard of leeway which has often been used.

Moreover, this imbalance is driven by already discernible demographic circumstances. And it is not as far off as many assume: Actually the first wave of the baby boom generation reaches retirement by 2008. And even under intermediate assumptions, outgo begins to exceed income sometime between 2010 and 2015. The favorable financial projections for the program beginning in the mid-1990's and continuing into the first decade or so of the next century rely on reserves actually being built up sufficiently during this period to carry the program for several years. But these projected surpluses rely on real wage growth averaging 1.5 percent per year, when real wage growth for the last 30 years has averaged only 1.2 percent. They also rely on a slight increase in the birth rate and on no major breakthroughs in average mortality improvement.

All of this is simply by way of saying that we must act. There is as much reason to believe that the long-term problems of social security may not be so long off as we might think as there is to believe that things will improve somewhat.

The people do not perceive social security as just Government welfare program; every worker of every age is constantly aware that he or she has a stake in it. If we do not address its problems when they are brought to our attention, then the worker will adopt an ever more guarded attitude toward the program—to his detriment and to the detriment of social security.

In summary, the hour has come. We cannot go back to the drawing board at this point because we do not have time to put together a package of amendments which can garner the support of so wide a variety of groups and individuals as the one which is before us today. The choice is not one of our personal preferences. The choice is whether or not we want the checks to go out on time come July this year. We have all had to swallow hard on something in this package—but as a package, it can hold up.

I strongly urge adoption of these social security amendments.

□ 1130

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 10 minutes to the gentle-

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man from Massachusetts (Mr. SHANNON).

Mr. SHANNON. I thank the chairman for yielding this time to me.

Mr. Chairman, I rise in support of this legislation and I want to say at the outset what an honor it has been to work with the gentleman from Texas (Mr. PICKLE) on this legislation over the last couple of years. I think those of us who have worked on the subcommittee with Mr. PICKLE have seen an extraordinary display of political leadership.

Mr. Chairman, this bill addresses a very serious financing problem, a problem for which there are no easy solutions. We have had to make some tough decisions. We have all had to compromise.

No one is completely happy with this bill. But the bill gets the job done, and I intend to support its final passage.

There is a fundamental fact that I think all of us need to understand about this bill. As reported out of the Ways and Means Committee, it would address both the short-term financing problem and the long-term financing problem.

The committee bill adopts the consensus package of the National Commission, with certain adjustments.

The committee bill delays the cost-of-living adjustment 6 months, and taxes benefits for higher income earners. It increases payroll taxes and extends social security coverage to newly hired Federal workers.

These provisions, when combined with interfund borrowing authority and the fixed monthly tax transfers, completely handle the short-term financing problem.

In addition, these changes eliminate two-thirds of the long-term deficit.

But the committee bill goes beyond the Commission's consensus package and addresses the remainder of the long-term 75-year deficit.

The long-term solution adopted by the committee involves two changes:

First, the committee bill increases the OASDI tax rate by 0.24 percent for employers and employees in 2018.

Second, the committee bill reduces the initial benefit levels by 5 percent for workers retiring in the next century. It does this by decreasing the percentage factors in the benefit formula by two-thirds of 1 percent each year for 8 years beginning in the year 2000.

This reduction in the replacement rate affects all beneficiaries in the same way, regardless of their benefit level or work history, or when they choose to retire.

The committee's approach spreads the burden of the long-term solution among workers and beneficiaries.

Everyone lends a hand. But no one is asked to carry more than his or her fair share. No one is left hurting.

With these two changes, the committee bill completely eliminates the long-run deficit.

There will be two other approaches to the long-term problem that we will vote on today.

I just want to say that, no matter what we adopt here today, we will most likely be looking at long-term social security financing again somewhere down the road.

If we have learned anything from the social security debate, it is that there is no way in the world we can predict the economic future 5 or 10 years from now, not to mention 40 years down the line.

Mr. PERRY will be offering an amendment to address the last third of the long-run deficit by raising payroll taxes.

There is a lot to be said for this approach.

Beneficiaries are already making a major sacrifice in order to insure the solvency of the system—COBRA delay and taxation of benefits.

The Pepper amendment addresses the long-term deficit without further benefit cuts.

The other alternative is contained in the Pickle amendment.

This proposal would increase the retirement age to age 66 by 2009 and to age 67 by 2027.

There are some real problems with this proposal.

They are problems that put it in an entirely different category than the committee bill, or even the Pepper amendment.

Remember that the Pepper amendment calls for no further benefit cuts. And the committee bill would make only slight adjustments in taxes and benefits.

But the Pickle amendment, on the other hand, would put the burden of the long-term financing problem squarely on the backs of future beneficiaries.

The Pickle amendment starts from a single, mistaken assumption. It assumes that if we increase the retirement age, people will work longer.

But many of them cannot.

Most people who retire early do so not because they want to but because of ill health or job loss.

Increasing the retirement age will not keep these people in the work force longer. It will simply cut their benefits.

Look at the numbers.

Two-thirds of the savings from the Pickle amendment come from cutting benefits for early retirees—not from workers staying on the job longer.

The Pickle amendment would have its harshest impact on those who can least afford to bear the burden: blue-collar workers in heavy industry, women, and minorities.

The Pickle amendment is not simply a benefit cut. It is an unfair and inequitable benefit cut that hits the most vulnerable beneficiaries.

We have a chance today to put social security in the black and keep it there for a long time to come.

The committee bill is a fair bill. Whatever amendments are adopted, this bill deserves our support on final passage.

□ 1140

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to the gentleman from Florida (Mr. YOWSE).

Mr. YOUNG of Florida. Mr. Chairman, I thank the gentleman for yielding this time to me.

I would like to say to my colleagues that this Member comes to the floor with a very firm commitment to casting whatever vote is necessary to preserve the integrity of the social security system. I come from a county in Florida, Mr. Chairman, that has nearly 240,000 people who get a social security check every month, so my first statement should come as no surprise to anyone.

I observed the work of the National Commission on Social Security for nearly a year and was, quite frankly, disappointed that it took such a long time for them to reach a consensus, but when they did, I paid close attention to it, Mr. Chairman, and as I was able to read that communication and find out exactly what I thought it was going to do, I assigned two parameters that I personally will use to decide whether or not to support this program. First, is the program fair? Does it touch everyone about the same? Second, is it a program that will actually work?

Mr. Chairman, just a few days after the Commission's report was ready, I went back to Florida and held a series of public hearings. Several thousands of my constituents came to those hearings, and I found that there was not anyone who really liked the recommendations. There was some to object to about all of it. Because of that, I made up my mind that I thought it was pretty fair because if nobody liked it, it had to be fairly fair.

My next question, Mr. Chairman, was, is it going to work? I think that is crucial. I do not want to be here taking the time of Congress or misleading the American people by proposing a plan that maybe will work and maybe will not work. I think we have an obligation to know for sure whether or not it will work.

I remember back in October of 1977, when this Congress considered the largest permanent tax increase which we had ever considered, and we passed legislation increasing the social security tax, with guarantees from those Members who presented the bill to us that this was going to solve the problems of the social security system for 25 or 30, or 40 years.

At this point I would like to compliment our very distinguished colleague and subcommittee chairman, the gentleman from Texas, Mr. JAMES PICKLE, for the great work that he has done in bringing this legislation to us, but I want to call to the gentleman's atten-

tion, as I did when he gave me the privilege of testifying before his subcommittee, his words back in 1977 on the subject of that bill that was supposed to solve the problems.

The gentleman from Texas (Mr. PICKLE) said:

In passing this bill, we can say to the American people that we are putting social security on a sound financial basis for the next 25 to 50 years. Nothing can be more reassuring to the public than taking this strong action.

Mr. Ullman, who then was the distinguished committee chairman, said at the same time, "(this bill) puts us in a surplus posture in social security for the next 25 years."

When President Carter signed the legislation in 1977, he assured all Americans that the system was on firm footing into the 21st century. President Carter said, "Now this legislation will guarantee that from 1980 to the year 2030, the social security will be sound."

Well, Mr. Chairman, obviously that did not happen, and the guarantees that we had at that time just have not been brought to fulfillment.

What gives me additional concern, Mr. Chairman, is that the committee's report itself includes a letter from Mr. Richard Foster, the Acting Deputy Chief Actuary. In his memorandum, Mr. Foster says this:

Thus H.R. 1900 as reported by the Ways and Means Committee would substantially improve the financial outlook for the OASDI program. It must be said, however, that this bill would not offer assurance that the OASDI program would operate satisfactorily under adverse economic conditions.

What I am saying, Mr. Chairman, is that I am prepared to support this package. But I hope that the managers of this bill will be able to convince us that this time, in 1983, the assurances we are getting are more realistic than they were in 1977. I think the Members of the House deserve that kind of consideration, I believe the American people deserve that, and I am hoping that the managers will be able to convince this Member and other Members that this is a package that is fair and one that will definitely work and solve the problems of the social security trust fund.

Mr. CONABLE. Mr. Chairman, I yield 3 minutes to the gentleman from New Hampshire (Mr. GREGG).

(Mr. GREGG asked and was given permission to revise and extend his remarks.)

Mr. GREGG. Mr. Chairman, I appreciate the opportunity to address this issue which I consider to be the most critical issue this Congress will address possibly in this decade, but certainly in this session.

We have not seen a great deal of leadership out of this Congress on the issue of social security. In fact, this Congress has over the last 2 years and maybe the last 4 years cringed from this issue for too long, hiding in the shadows of political gamesmanship. But for 36 million people who are on

the social security system and for 110 million people who must pay into the system, the issue of social security cannot be ignored. It is to them the key economic issue which the Government addresses to them at this time.

Therefore, we as an institution have the opportunity today to fulfill our past history of leadership. As we look at the history of this institution, yes; it is one which has been carried on mostly by perpetual motion, but in instances throughout its whole history, when it has confronted a crisis of extreme proportions which have affected a great majority of people, this institution has been able to rise up and to make the difficult decisions, whether those were the Great Compromises before the Civil War, or after the Civil War, during the period of Reconstruction, or whether it was during the 1930's when this legislature took so many aggressive steps to try to reverse the trends of the Great Depression.

This is again an opportunity for Congress to stand up and be counted and to make the difficult decisions of our time. We are going to hear today many arguments about why this specific item of this compromise is wrong or that specific item of this compromise is going to fail to carry it to its fruition. But the simple fact is that if we are going to be honest and we are not going to play hypocritical games, this is the only proposal before us which has an option of survival. This is the only proposal which this Congress can legitimately say it is willing to address to allow a correction in the social security system which will cause the survival of that system.

If we ignore this compromise, if we reject this compromise because we do not like this item or that item, then we will have failed as a body to have taken the option of delivering a reasonable response to one of the most serious problems which this country faces and which the people of this country face.

I call upon the Members of this Legislature to look to our past and recognize that we have an obligation here, an obligation which is written in the words of Daniel Webster, the words that are above us from a great statesman, one who came from New Hampshire. "Let us leave here and perform something worthy to be remembered."

Mr. Chairman, this is our opportunity to perform for my generation and for future generations which will be part of the social security system something worthy to be remembered.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 15 minutes to the gentleman from Tennessee (Mr. FORD).

(Mr. FORD of Tennessee asked and was given permission to revise and extend his remarks.)

Mr. FORD of Tennessee. Mr. Chairman, I thank the chairman of the full Committee on Ways and Means, the gentleman from Illinois (Mr. ROSTENKOWSKI), along with the chairman of the subcommittee, the gentleman

from Texas (Mr. PICKLE) for their efforts. I would like to commend the two of them, as well as my other colleagues on the full Committee on Ways and Means.

Mr. Chairman, I rise to go over title IV and title V of the bill that is before the House today.

□ 1150

Mr. Chairman, title IV of the bill would raise the Federal benefit standard for supplemental security income—SSI—by \$20 for a single individual and \$30 for couples. The benefit standard is the maximum amount of SSI payable. Currently, this is \$284 for a single individual and \$426 for a couple. This increase in the Federal SSI payment will take effect on July 1, 1983. The July COLA for SSI will be delayed until January 1984 in the same manner as the social security COLA.

The SSI program provides income assistance to poor, aged, blind, or disabled individuals. SSI recipients receive a cost-of-living adjustment—COLA—at the same time and in the same amount as social security recipients.

Of the 4 million SSI recipients, about 2 million receive both SSI and social security income. Current law "disregards" \$20 of social security income in determining SSI eligibility for these concurrent recipients. Most of the remaining 2 million SSI recipients are completely dependent on their SSI income.

The Commission on Social Security Reform recommended, along with the 6-month delay in the social security COLA, an increase in the disregard from \$20 to \$50. The purpose of this was to protect those social security recipients receiving very low social security payments from the loss of their COLA. Such an increase in the disregard, however, protects only half of the SSI population, those that are receiving social security.

The committee bill delays both the social security COLA and the SSI COLA for 6 months. In order to protect the poorest individuals, the bill raises the benefit standard for all SSI recipients by \$20 for single individual and \$30 for couples. This allows the two systems, social security and SSI, to remain on track, while more than protecting the poorest recipients from loss of their COLA in July.

Mr. Chairman, title V of H.R. 1900 extends for 6 months the Federal supplemental compensation program. This program, which is due to expire at the end of this month, provides additional weeks of unemployment compensation to individuals who have exhausted their regular State benefits and any extended benefits to which they were entitled.

As originally enacted, the FSC program provides up to a maximum of 16, 14, 12, 10, or 8 additional weeks of benefits. Under the extension con-

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tained in this legislation, the maximum number of weeks will be 14, 13, 11, 10, or 8 depending on the State where the individual qualified for or is claiming the benefits.

Members will note that the maximum number of FSC weeks has been reduced in some States. This was done so that we could provide additional weeks of benefits to individuals who will have exhausted their original FSC entitlement by April 1, 1983. Let me point out that a simple extension of the program, such as the one proposed by the President, would not have provided any more weeks of benefits to individuals who have already received FSC benefits under current law. By April 1, 1983, 1.2 million jobless workers will have exhausted their original FSC entitlement. These individuals have been unemployed for nearly a year or more. Recent unemployment statistics indicate that as the economy improves, these long-term unemployed individuals will be the last to be rehired. Therefore, the committee felt that there was an urgent need to both extend the program and to "reach-back" and provide some additional help to those individuals who have been out of work for the longest period of time.

Mr. Chairman, when we enacted this program last fall, it was hoped that strong signs of economic recovery would emerge during the 6-month life of the program. We hoped that Secretary Regan was correct when he said that the economy would come roaring back in the spring. Spring is here. Mr. Chairman, and the unemployment rate is holding at 10.4 percent. Over 12 million Americans are out of work; 300,000 Americans each month are exhausting their unemployment benefits. The extension of this program through September 30, is an absolute necessity.

We all hope for economic recovery. We are all waiting for it. However, the wait means different things to different people. Some are waiting for their stock portfolio to go up in value. Some are waiting to buy the new house or new car that they have been looking at. But some, over 11 million, are waiting for a much more important dream—a job. The benefits provided in this bill are designed to help them and their families endure this wait. These benefits will help them bridge the gap between the loss of their job and the day they return to the work force.

The jobless workers in this country need these benefits and need your support for this bill.

Mr. CONABLE. Mr. Chairman, I yield 3 minutes to the gentleman from Florida (Mr. Lewis).

Mr. LEWIS of Florida. Mr. Chairman, I thank the gentleman for yielding this time to me.

Fellow colleagues, I am very concerned that we had such a fast vote on the rule. I feel that debate time was insufficient, and I am very much concerned because, to me, I feel that we

are shortsighted by not recognizing Federal employees who are to be included in the social security system and most likely will be included when we vote today.

I am concerned with showing basic fairness to Federal employees. It is clear that there is a lack of understanding of their retirement system. We have heard many times that their retirement system is actuarially sound, and then again we hear the numbers that show it is not actuarially sound. The duplicity of civil service payments and social security payments also concerns me, as well as not having a supplemental system. Federal retirees do not even know what they are going to receive until after the vote today.

I feel it is necessary to allow at least 1 more year for the Federal employees, so that a study can be made to determine whether or not, yes or no, true or false, that they have an actuarially sound system and what their supplemental system would be.

I feel by voting the way we did today—by a voice vote, and not by a rollcall vote on the rule, we certainly did them a serious injustice, and I feel that each and every one of you should take this into consideration when you cast your vote today.

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to the gentleman from Louisiana (Mr. Moon), a valued member of the committee, if I may say.

(Mr. MOORE asked and was given permission to revise and extend his remarks.)

Mr. MOORE. Mr. Chairman, I would like to comment specifically on the medicare provisions contained as title VI in the bill, and point out that this provision is a good reason for Members to consider support of the bill as a whole.

As ranking minority member of the Subcommittee on Health of the Ways and Means Committee, I commend my colleagues on both the subcommittee and full committee on the bipartisan cooperation we enjoyed in crafting what is the most significant change in medicare reimbursement policy since medicare was implemented in 1966.

We have done a lot of tinkering with medicare reimbursement over the years, mainly in trying to control runaway hospital costs. Yet for all of this tinkering, costs have continued to soar. This should come as no surprise since hospitals have merely continued to react to the incentives in the current system which encourage spending rather than efficiency and cost control.

Under the existing medicare payment system, hospitals are reimbursed according to a method which is known as retrospective, cost-based reimbursement. Essentially medicare pays hospitals for any reasonable costs which they incur in providing covered services to medicare beneficiaries. Clearly, there is little or no incentive to control

cost or operate more efficiently under the current system.

In an almost desperate act to control medicare costs, the Congress last year under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) placed a 3-year limit on the annual rate of increase in hospital inpatient costs and instructed the Secretary of HHS to develop, in conjunction with the Committees on Ways and Means and Finance, a proposal to reimburse hospitals under medicare on a prospective basis. That proposal was received late last year and provided the framework for the proposal before us today.

I would just add that a great deal of credit should go to former Secretary Dick Schweiker in recognition of his leadership and determination in bringing this sensible proposal to the Congress.

Under the proposed system, payment would be based on a single amount for each type of case in a particular diagnostic group. While payment will recognize differences in an area wage costs and passthrough teaching costs, as well as capital costs—pending further study—all hospitals in an area will receive the same payment for the same services. More complex cases will receive higher payment than simpler cases, cases with complications more than these without.

Initially payment rates would be derived from existing medicare cost reports and from a sample of medicare patient records. Rates would be updated annually.

Hospitals providing services under the rates could retain the difference while those with costs in excess of the rates would have to absorb the extra costs.

This new system of payment will provide long needed economic incentives for hospitals to be efficient and cost-conscious in the delivery of care to medicare beneficiaries.

While the committee bill generally follows the administration's proposal, several major modifications were made.

The system would be phased in gradually over 3 years to permit hospitals to adjust to the new payment method. To further ease the transition of hospitals into the new system, separate urban and rural payment rates would apply in each of the nine census divisions of the country.

After fiscal year 1985 an independent panel of experts would advise the Secretary regarding the updating factor to be used in establishing the rates.

Special exemptions, exceptions and adjustments would be made, where appropriate, with respect to teaching hospitals, sole community providers, public and other hospitals.

Provisions were also included to deal specifically with quality of care concerns and providers who might attempt to "game" the system. Specific

cally the Secretary could deny payment, in whole or part, or take other corrective action for such things as unnecessary admissions or other inappropriate medical or other practices.

In addition, the bill provides for recognition and use of State hospital payment systems where such systems would not cost medicare more than payments under the federal system and meet certain other standards.

I view this prospective payment proposal as a dynamic first step toward the implementation of the marketplace forces of competition in the health care field which will ultimately stabilize health care costs in a manner far more acceptable than the alternative of increased regulation. Our goal is to continue to make quality health care available to all, which goal is becoming increasingly imperiled due to the spiraling cost of health care.

Mr. Chairman, the committee has fashioned a good proposal and I urge my colleagues to join with us in this bipartisan effort to make economic sense out of the way the medicare program pays for hospital services.

□ 1200

Mr. CONABLE. Mr. Chairman, I yield 2 minutes to the gentleman from Nebraska (Mr. DAUB).

(Mr. DAUB asked and was given permission to revise and extend his remarks.)

Mr. DAUB. Mr. Chairman, I would like to enter into a colloquy for a moment with my good friend from Texas (Mr. PICKLE) chairman of the subcommittee. I introduced a bill which is known as the nonresident alien social security bill, H.R. 765. I have been most encouraged by the interest. Some 111 Members, a very bipartisan membership from the House, have cosponsored the legislation.

In the full Committee on Ways and Means the gentleman may recall the vote to include a provision to eliminate certain nonresident foreign aliens from social security benefits failed after a tie vote 16 to 16. I would like to ask the chairman of the subcommittee what his intentions might be with respect to hearings on that particular matter so that it might enhance the solvency of our social security system.

Mr. PICKLE. Mr. Chairman, will the gentleman yield?

Mr. DAUB. I yield to the gentleman.

Mr. PICKLE. I thank the gentleman for his question. I have promised the members of the Ways and Means Committee and other Members such as the gentleman who is speaking that we will have committee hearings on this subject, I hope in April or in May.

We do not have a specific plan advanced.

I think we are all agreed that we must take action on this nonresident alien problem. What we do not want to do is take away benefits from the wage earner who actually has earned benefits. But we must stop any of the abuses that may take place when

benefits go to survivors or to new members of families. This area needs to be tightened up.

We do not have a specific recommendation from the Department of Health and Human Services yet. We have asked for it because we must do something about this.

I had attempted at one time to bring this into the bill but we could not get a consensus to move forward at this time. But this must be done and I hope we can hold hearings by April or May.

Mr. DAUB. I thank the gentleman for his encouraging statement of hearings to be held at an early date, in April or May.

There is approximately a \$4 billion savings that could be forged by that.

Today is important because it gives the social security system a clean slate—so to speak—with regard to its financial soundness. This was something that the Congress had thought it accomplished in the past, but each time circumstances changed and the system was again in need of additional moneys.

Rather than rest on our laurels we should today make a commitment that we are not going to wait until the system again is teetering on the edge of bankruptcy before we initiate reforms. We know how small changes in the system can amount to savings of billions of dollars, and when those changes are possible, they should happen and should not be allowed to go unaddressed until the last possible minute.

One change that I recommend the Congress address as soon as possible is the issue of nonresident aliens drawing social security benefits. This matter is not unexamined. We have the facts, and we know today that the cost will be in billions of dollars over the coming years. This is a cost that the system, even in its newly found health, cannot afford, and it is dollars that would be better spent in the form of benefits for beneficiaries or left in the pockets of the working Americans who finance the system.

The lessons of the last 2 years should not be lost. The American people expect us to act responsibly and promptly when their interests are at stake. It would be a great tragedy were we to see additional reforms ignored now because we have solved most of the problem for the time being. Let us do the job the American people expect from us today and not wait until tomorrow when our backs are pressed against the wall.

The alien social security bill which I introduced, H.R. 950, would limit benefits to nonresident aliens and their dependents. Aliens would receive only the amount of benefits they paid into the system. Dependents would receive benefits only if the relationship to the beneficiary existed before the wage earner's 50th birthday.

This legislation will correct the current abuses to the system by alien

beneficiaries. Currently, benefits are paid to 313,000 individuals living abroad, amounting to about \$1 billion per year. In 1981, 62 percent of these beneficiaries were aliens.

The General Accounting Office (GAO) has reported that on the average, beneficiaries living abroad had worked fewer years in social security covered employment, paid less social security taxes, and had more dependents than the average social security beneficiaries.

The average alien beneficiary living abroad earned only one-half the quarters of social security credits before retirement as the average social security beneficiary did. Also, alien dependents outnumber wage earners by 169 to 100, while there are only 40 dependents to every 100 wage earners in the overall beneficiary population.

The GAO estimates that the average alien family receives about \$23 in benefits for every \$1 in FICA taxes paid before retirement. This is in marked contrast to the \$5 in benefits for every \$1 in FICA taxed for the average social security beneficiary family.

These facts clearly highlight the importance of addressing this situation. It would allow a substantial savings to our social security system and show Americans that we are truly prepared to correct abusive social security situations in order to insure the solvency of this important program.

As I said, today marks a return to solvency for the social security system. My support for H.R. 1900 is not unqualified. It had been my hope that this body could produce a solution to the financing problem without bringing in Federal employees. It is my firm belief that this will not result in a better solution but will instead create further problems in the future.

We have met our first responsibility, however, and that is to bring back to Americans the peace of mind they deserve regarding social security. And we should never again allow the system to deteriorate to the point where Americans young and old are uncertain about their future benefits under the system. There is no question that social security presents a continuing problem for Congress and America. We must retain a benefit level that accomplishes social security's purpose without imposing a tax burden on the American worker that is too high. Already we have a burden that is far greater than could have been imagined 20 years ago and could if driven higher seriously affect employment.

H.R. 1900 is a consensus bill. There is no one in this body who if given carte blanche to write a social security measure would have presented this bill to the full House, but no such bill would have had a chance of passing the full House. This bill represents compromise. It is a good compromise that spreads the sacrifice evenly throughout our society. The people in

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my district with whom I have discussed this measure have often expressed reservation or serious disagreement with parts of it but no one has said that it is not a reasonable effort to repair a system while distributing burdens equitably.

Mr. Speaker, I intend to vote yes on H.R. 1900. I also intend to work in the coming years for a more secure, fair, and effective social security system. This is a first step that most of us can agree on. I urge my colleagues to continue this effort.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 4 minutes to the gentleman from California (Mrs. Boxer).

Mrs. BOXER. Mr. Chairman, I rise to ask a question of the chairman of the Ways and Means Committee. I am concerned that the Federal retirement system remain whole and healthy not only for our Federal employees but for all of our taxpayers.

I want to be reassured that nothing in this bill will affect the present civil service retirement systems and ask if you can give me such an assurance from your perspective.

Mr. ROSTENKOWSKI. Will the gentleman yield?

Mrs. BOXER. I yield to the gentleman.

Mr. ROSTENKOWSKI. I am of the opinion, and I think I can say without equivocation, that there is nothing in the legislation that would harm the Federal employees' retirement system. In addition, I have had an exchange of correspondence with the chairman of the Post Office and Civil Service Committee on the possibility of the gentleman from Michigan (Mr. Ford) proceeding with a program that would protect new Federal employees as well.

Every member of the Committee on Ways and Means is certainly concerned with the effect that this will have on new Federal employees. I give you every assurance that with the cooperation of the gentleman from Michigan (Mr. Ford) we will try to protect those in the civil service retirement system and the solvency of the trust funds.

Mrs. BOXER. I thank the gentleman.

Mr. FORD of Michigan. Mr. Chairman, will the gentleman yield?

Mrs. BOXER. I yield to the gentleman from Michigan.

Mr. FORD of Michigan. I would like to add to what the chairman said, that one of the bits of confusion that comes into this is the erroneous assumption that Federal employees under the present system have the option of being in the system or not being in the system. The present system for Federal employees, other than Members of Congress and our employees, is mandatory. When you come to work for the Federal Government after January 1, 1984, you will be required, by the present status of the law, to join whatever civil service retirement system covers that agency of Government that you are in, and

there are in excess of 30 major Federal service retirement systems. So we are not talking about a single simple system.

In addition to that, the only change that the Ways and Means Committee bill makes is that new employees will also, like other employees in the private sector, be required to pay into and be covered by social security. So they will have dual coverage. They will be covered by both systems just like people in private and State and local pension systems on the outside are.

There is nothing in this bill, nothing in this bill that would permit a new employee after January 1, 1984, to exercise an option to get out of the Federal employee pension system or for the Federal Government to reduce its contribution to the Federal employee's pension system.

For those reasons I believe that the Ways and Means Committee has indeed protected the integrity of the existing Federal employee pension systems not only for the present but for the future. Because no change is made by this act.

Anyone who construes a vote for this bill as being a vote to hurt the Federal employee retirement system is in error.

Mr. BIAGGI. Mr. Chairman, will the gentleman yield?

Mrs. BOXER. I yield to the gentleman.

Mr. BIAGGI. I would like to pose a question to the distinguished chairman of the Ways and Means Committee.

Many of the Federal employees are concerned that when it comes to their time to retire there will not be sufficient funds in the system because they believe that the new employees will be in a different system and hence there will cease to be an infusion of moneys into the old system.

□ 1210

Mr. ROSTENKOWSKI. There is a provision in the current law to protect those employees, regardless of whether or not there are sufficient contributions. The money is guaranteed by the general fund. That has been taken into consideration. So I want to reassure the gentleman that those people that are in the system now, and will be in the future, will have money available for their retirement system through employer and employee contributions as well as from general revenues.

Mr. BIAGGI. I thank the gentleman from Illinois for that response. Clearly that is a point of concern that is really tugging at the hearts of many of these Federal employees. I thank the gentleman for yielding.

Mr. CONABLE. Mr. Chairman, I now yield 3 minutes to the gentleman from Virginia (Mr. Parris).

Mr. PARRIS. Mr. Chairman, everybody knows that social security is in trouble. It is losing \$17,000 a minute

and 30 minutes from now it will be a half million dollars farther in the hole.

But this legislation includes at least one portion, one proposal that makes it unwise and totally unacceptable and that is the inclusion of Federal employees under social security. I sincerely regret that the leadership would not give us an opportunity to consider an amendment to remove all persons under the civil service retirement system from social security. We will not have the opportunity to vote on that issue because of the rule advocated by the leadership. That is truly unfortunate.

In addition, Federal employees are now being asked to hold still while they are put under social security without even knowing what the supplemental retirement system that will ultimately be adopted will contain.

If the Committee on Post Office and Civil Service does not adopt and this House does not accept a proposal for supplemental retirement, any Federal employee will have no choice but to contribute almost 14 percent of his or her total compensation to the retirement system beginning in January of next year. That is clearly excessive and unfair.

There are various proposals kicking around this Capitol that would increase the retirement age, that would increase the individual financial contribution to the Federal employee retirement system, that would use the last 5 years instead of the last 3 years to calculate benefits we have applied the medicare tax requirement to Federal employees compensation, the Federal health employee benefit premiums have dramatically increased. And, at the same time when all of this is happening we are freezing compensation. The cumulative effect of all of this, I submit is devastating to the morale of the Federal employee.

ANNOUNCEMENT BY THE CHAIRMAN

The CHAIRMAN. We are delighted to have all of our guests in the gallery. There will be no applause, as any manifestation of approval or disapproval of the proceedings is in violation of the rules of the House.

Mr. PARRIS. As a function of intelligent personnel management, Mr. Chairman, no rational person or organization would advocate nor adopt this kind of a program to deal with its employees. It is my hope that this Congress will reject this legislation.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan (Mr. Ford).

(Mr. FORD of Michigan asked and was given permission to revise and extend his remarks.)

Mr. FORD of Michigan. Mr. Chairman, I intended to speak toward the end of this debate about the Federal employee issue, but I want to clear up any misconceptions caused by the gentleman from Virginia (Mr. Parris). I am sure the gentleman did not intend

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to do so, but we ought to get out on the table what he is talking about.

There is nothing in this legislation—never has been, and under the rule never can be—that affects the present civil service retirement system. There is no requirement that there be a supplemental system instead of the present systems. We have no intention of writing something to replace the present systems.

We have no intention of touching the existing systems in any way at all.

However, there is pending before this House and before the Senate the President's budget request. And in his budget request he asks that in 1984 we raise the employee's contribution to 9 percent and in 1985 to 11 percent. He asks that we change the system to require annuities to be computed on the average pay of the high 5 years of service instead of the high 3 years. He also asks for a 65-year-old retirement age with a provision that you lose 5 percent of your pension base for each year you are under 65 at the time of retirement.

The result if you retire at 55 years of age with 30 years of service would be that your pension would be reduced by 50 percent. Those are not proposals that are in the Ways and Means bill. Those proposals have been rejected out of hand by a bipartisan vote in the Post Office and Civil Service Committee and in our report to the Budget Committee, which is available for everyone. It is a matter of record. It has gone to the Members. And to suggest to these Federal workers that they are in danger, by the enactment of this bill, of hurting their pension, is not serving your Federal constituents well, sir. And I suggest that you take a look at what is really happening and not wave around some smoke and mirrors fear.

The only person in this town that they have to fear is your President who wants to kill their pension.

Mr. PARRIS. Mr. Chairman, would the gentleman yield?

Mr. FORD of Michigan. I yield to the gentleman from Virginia.

Mr. PARRIS. I thank the gentleman for yielding.

I have the privilege of representing a great number of Federal employees. If there is an overriding fear in the hearts of most of them it is what I call depending on your point of view, phase in or the phaseout problem.

Mr. FORD of Michigan. We are not. If I can claim back my time. You are using the expression "phase in-phase-out," there is no phasing in or phasing out. Starting January 1, 1984, new Federal employees will be covered by social security, new Federal employees will be covered by the existing pension system. That is not phasing in, that is clear, clean and simple. Nobody coming to work for the Federal Government after 1984 has the right by reason of anything in this bill to opt out of the civil service retirement system. Nothing in this bill permits

the Federal Government to reduce its commitment to and its payment to the civil service retirement fund and I want you to quit using terms like phase in. We are not giving Federal employees an alternative, we are giving them coverage under both systems.

Mr. PARRIS. Would the gentleman yield?

Mr. FORD of Michigan. I yield.

Mr. PARRIS. I thank the gentleman for yielding.

I think the real concern of most Federal employees is as their number is reduced over the next 5, 10, to 20 years, this Congress, which cannot bind future Congresses, the future Congress may in fact as a result of the reduction of their political leverage then dump the balance of them into social security to their detriment and that is what concerns them and their is no way the gentleman from Michigan or the gentleman from Virginia can preclude that from happening.

Mr. FORD of Michigan. I do not want to turn what has been a fine bipartisan exchange here into a partisan one, but the only persons in this town talking about reducing future Federal benefits are David Stockman and your President. And we are, so far, successful in resisting the most draconian proposals that they have for reduction.

We will have 300,000 net new employees next year on the basis of what happened this year and presumably a similar amount next year, because we lose about 5,000 people a week from the Federal Government.

Mr. Chairman, unfortunately there has been considerable misunderstanding about a provision of this bill that would place newly hired Federal workers under the social security system.

At the same time, there has been a lot of apprehension on the part of Federal workers and retirees. This indeed is understandable given the present administration's assault on their benefits.

I want to set the record straight. This bill does not, and is not intended to, affect in any way the existing civil service retirement provisions or the applicability of such provisions to the newly covered employees.

Put simply, new Federal workers will be required initially to contribute 7 percent of their pay to the civil service retirement system, the same amount as those now covered pay. Newly hired employees will also be required to pay the social security tax.

I want to assure my colleagues that the Post Office and Civil Service Committee will act deliberately and responsibly to develop a supplemental plan that will be fair to new workers coming into the system and insure the integrity of the retirement fund for present workers and annuitants.

We want to avoid, however, rushing mindlessly and recklessly into adopting a plan without benefit of study and advice. Certainly we do not want

to create a monster that could cause more problems than we are attempting to solve today. And that is precisely what we could do through hasty action.

Last month the Speaker, along with Chairman ROSTENKOWSKI of the Ways and Means Committee, and I sent a letter to our colleagues explaining our position on the question of extending social security coverage to newly hired Federal workers. I feel it is important today to reiterate that position. We said:

We support the recommendation of the National Commission on Social Security Reform to extend social security coverage to newly hired Federal employees.

We believe that new Federal employees who become covered under social security should be provided retirement benefits comparable to those under the civil service retirement system.

We oppose the Administration proposals that would reduce civil service retirement benefits and increase employee contributions to the civil service retirement fund.

We oppose the Administration proposal to treat cost-of-living adjustments for Federal retirees differently from those of social security recipients.

We will oppose any proposal which would threaten or adversely affect the financial integrity of the civil service retirement fund, or the ability of that fund to continue to pay benefits promised to participants in the civil service retirement fund.

The bill before us today will allow us to achieve these goals.

It is not encumbered with the heedless proposals of this administration, espoused by OPM Director Donald Devine.

All of us in Congress are keenly aware of our Nation's tragic economic dilemma and the urgent need to reduce the towering budget deficits created by this administration's costly supply-side economics failure.

But where Federal workers are concerned, enough is enough.

For 2 years this administration has used Federal workers and retirees as convenient scapegoats. In the most blatant demagoguery I have witnessed in my political career, this administration has gone to extraordinary lengths to portray Federal workers as indolent paper shufflers who are overpaid and underworked. It has done this, I must conclude, to enlist public support for draconian budget cuts against Federal workers and those who have retired from the Federal service—to reinforce the popular misconception about Federal workers.

At this point in time, there can be no doubt that the Reagan administration has sought deliberately to make Federal employment less attractive.

And I cannot help but wonder what price we will pay down the road in terms of efficiency and quality. If we continue this mindless diminution of pay and benefits, how will we attract the best and brightest to work at NIH, NASA, the Food and Drug Administration, the Department of Agriculture, the FAA and all those other depart-

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ments and agencies where Federal workers perform the vital services that keep this Nation running?

If we continue on the present course, we will guarantee the kind of second-rate work force the White House portrays to the public.

FEDERAL RETIREMENT AND PAY FREEZE

The proposed COLA freeze is a prime example of the unfairness inherent in the President's budget. For social security recipients and beneficiaries of Federal entitlement programs, the President proposes a 6-month delay in COLA. But for Federal civilian and military retirees, he proposes to eliminate the fiscal year 1984 COLA adjustment altogether. In effect, he proposes a 13-month delay for Federal retirees, more than twice as long as the delay proposed for all others. How fair is that?

Perhaps the President believes the myth that the vast majority of Federal employees retire at age 55 and receive large annuities. The facts are that in 1982 the average age of a retiring civil servant was 61, and for the last 2 years the average annuity for a retiring employee has grown smaller. In 1980 the average monthly annuity was \$1,067, in 1981 it fell to \$1,019, and in 1982 it fell dramatically to \$935.

Even the average retiree who has been receiving COLA's for a number of years is not getting rich. Of the 1.7 million annuitants on the rolls on September 30, 1980, more than one-third received annuities less than \$500 per month, and more than 70 percent received annuities of less than \$1,000 per month. Only 9,560—six-hundredth of 1 percent—received annuities of more than \$3,000 per month.

There simply is no basis to treat Federal retirees more harshly than beneficiaries of other Federal retirement programs.

The proposed Federal civilian and military pay freeze is another example of Presidential unfairness. The President, with the acquiescence of the Congress, has totally abandoned the principle that Federal salaries should be comparable to those paid in the private sector. Federal salaries in recent years have fallen farther and farther behind the levels required for comparability. As of October, they were 14.47 percent behind the private sector and now the President proposes an outright freeze.

Proponents of the freeze argue that Federal workers should be happy just to have a secure job and that pay concessions are common in the private sector today. But there is no pay freeze in the private sector. The Congressional Budget Office estimates that, for the period March 1982 to March 1983, the average hourly earnings index will increase by 5.5 percent. And BLS figures show private, non-farm wages rose 6.3 percent in 1982.

Last year's 4 percent raise for Federal workers was generally eaten up by the medicare tax and increased health insurance premiums. Many, many em-

ployees actually suffered reductions in take-home pay. At a minimum this year, we should provide the 4-percent increase assumed in last year's budget resolution, especially in light of what is happening in the private sector.

CIVIL SERVICE RETIREMENT PROVISIONS

The civil service retirement provisions proposed in the President's budget for fiscal year 1984 are equally severe. Briefly, the proposed revisions include:

Increasing employee contributions from 7 to 9 percent in 1984 and from 9 to 11 percent in 1985;

Reducing annuities by 5 percent for each year the employee is under age 65 at the time of retirement;

Calculating annuities on the basis of highest average salary over 5 years rather than 3 years; and

Modifying the formula for computing annuities.

FEDERAL EMPLOYEES HEALTH BENEFITS

Over the past 2 years, under the direction of OPM Director Devine, we have witnessed a steady erosion of Federal employee health benefits. Premiums have increased an average of 55 percent and the overall level of benefits has substantially decreased.

Truly, Mr. Speaker, enough is enough.

The Federal civil service, a venerable institution that has come under unnecessary and unjustifiable criticism, is vitally important to the welfare and progress of our Nation.

And we must take special pains to insure that whatever we do does not further damage that system.

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois (Mr. EVANS).

(Mr. EVANS of Illinois asked and was given permission to revise and extend his remarks.)

Mr. EVANS of Illinois. I thank the gentleman for yielding.

Mr. Chairman, it is with reluctance that I rise in opposition to this bill.

I first want to clearly state that I strongly support the social security system.

I support constructive efforts to alleviate the financial difficulties facing the system.

I most emphatically support measures to protect current social security benefits.

That is why I must express my misgivings about the compromise package before us. This package, I am sorry to say, is a compromise that satisfies no one. It does not even solve the problems plaguing the system.

The National Commission on Social Security Reform has found it necessary to revise the economic assumptions on which its recommendations were based since its report was sent to the Congress.

Rather than rush to approve a proposal which may not cure the system's chronic ills, I suggest that we refrain from hasty judgment on this package.

The burden of this reform package falls unfairly on the shoulders of

senior citizens, Federal employees, small business men and women, and farmers.

Delaying the cost-of-living adjustments will harm senior citizens and low-income recipients. These are the ones who, in most cases, have experienced a steady erosion in their standard of living over the last several years. COLA's increases have provided meager, but crucial, protection to them.

Federal employees are burdened because the inclusion of new hires under social security will undermine the financially sound civil service retirement system and create new unfunded liabilities for social security.

In spite of claims that inclusion of these Federal workers may be a way to save money, I am convinced that this change may very well increase future Federal deficits and move us further away from a lasting solution to the problem.

Finally, raising the self-employment tax damages our commitment to small business. Small business men and women in the 17th Congressional District of Illinois and throughout the Nation will be hard hit at a time when they are struggling to stay in business for themselves.

The lower payroll tax rate for small businesses has existed for over 30 years. It remains valid today.

Yet, under this proposal small businesses bear the brunt of this proposed tax increase, while larger companies can take better advantage of the tax deductions.

Last fall I made a pledge to the senior citizens of the 17th District. I pledged to maintain their social security benefits and to oppose measures which would reduce benefits.

I cannot in good conscience renege on that pledge.

I cannot vote for a reform package which I believe, in the last appraisal, is inadequate and misdirected.

I believe these issues require greater examination by this House. We should consider proposals to reduce the social security system's obligations by removing the blind and disabled benefits program from social security and funding these benefits from general revenues.

We should also examine proposals to increase social security revenues with the windfall profit tax.

Most of all we must not forget that one of the major, structural dilemmas facing the system is unemployment. Unemployment and economic recession rob the system of needed revenues.

In fact, a 1-percent decrease in unemployment would increase social security revenues by up to \$4 billion a year.

The National Commission deserves our thanks for the work they have done, as does the Ways and Means Committee.

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But, it is we, the elected Representatives of the people, who must be held accountable for actions affecting social security.

We cannot evade our responsibility as lawmakers by simply ratifying the recommendations of an unelected panel.

From the 17th District of Illinois, I am responsible for representing more than 65,000 senior citizens, more than 10,000 Federal workers, and tens of thousands of farmers and small business men.

I take that responsibility seriously and, therefore, must oppose this well-meaning measure. We must not rush to judgment on a proposal which does not have a strong likelihood of success and which does not adequately account for the added hardship for millions of Americans.

□ 1220

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 15 minutes to the gentleman from Indiana (Mr. Jacobs), chairman of the Subcommittee on Health.

Mr. JACOBS. Mr. Chairman, I hear it said that this legislation is a rush to judgment. There is another rush under way and that is the trust funds are rushing toward the cliff.

Before the end of this decade the medicare trust fund, if nothing is done about it, is going to be in a very, very deep well of red ink. I think the reason for that is the reason that the same can be said for the profligacy across the Potomac River in another department of Government where cost-plus contracts characterize the financial relationship between that department and its suppliers.

The cost-plus system has characterized the medicare program since its inception in 1965. Medicare is a good idea, it has prevented a lot of unnecessary and tragic suffering in this country, but even a diamond has its flaws. And in its concept the medicare program by providing the cost-plus or reimbursement system to the hospitals of the country has cost the taxpayers more than it ought to and before this decade is out, it will be necessary to say, "You ain't seen nothing yet."

Here is a proposal by the administration to change the manner of payment for medicare services to the providers. And here is a happy coincidence where the two political parties, where Congress and the White House, can come together on a proposal which makes a lot of commonsense. What is the proposal in essence?

Well, it is somewhat complicated in some of its detail, but it is quite simple in its concept. It simply provides that hereafter the medicare program, the U.S. Government through the medicare program will compensate hospitals according to a schedule of reasonable prices for reasonable services. It is called diagnostically related groups, and there are quite a few of them. But each category is set up to make a reasonable price in advance so that when

a hospital straightens out a broken leg that will be worth approximately the same amount of money, no matter where it is done in one of the nine regions and the other division is between rural and urban hospitals. In other words, the effort has been made to arrive at a fair price in the context of the economy in which a given hospital operates.

Now, what does that mean in terms of just commonsense and ordinary logic? It means that if you get \$50 to set a broken leg and you can sharpen your pencil and your costs fall below \$50 that whatever the difference is between your costs and that \$50 is your profit on the deal.

If, on the other hand, your costs exceed \$50, you have already made the agreement and you still have to accept the \$50 in full payment as a hospital and you gargle your loss.

Now at this point the free enterprise system may have come to your mind. That is just exactly what we have in mind.

A cost-plus system means whatever your costs are your profit is going to be on top of that. There is no incentive to use a sharper pencil, there is no incentive to find out whether maybe you are laundering towels too many times, or too many towels, or you are hiring too many people, or all the other things that go into managerial decisions.

On the other hand, if there is a fixed price for your service, then you are in the role of other people in businesses in this country and you have an incentive to cut the costs.

Now, we have tried for more than a decade to cut the costs of the medicare system through the bureaucracy. Somebody looking over somebody's shoulder, somebody second-guessing the hospital administrator or administrator as to what that person or what that hospital ought to be spending. And you get an army of bureaucrats, as the word goes, you get confusion, you get, as I say, bureaucracy looking over the shoulders of the people who are charged with the immediate responsibility of doing the job and trying to figure out without being on the job what makes sense in terms of cost.

This really eliminates that problem. This gives the incentive to the manager in the first place to find out in his or her own situation what the best ways are to cut costs.

Now the next question that might come to mind is: What about the quality of the service then?

If you have a situation where you pay \$50 to set the broken leg and there is incentive for the provider to cut his or her costs as much as possible, would they not start cutting into the leg, would they not start cutting into the service?

Well, there are provisions in this proposed legislation to look after the quality of the service also. As a matter of fact, there are a great number of

details. I have already alluded to the problem of arriving at a fair price. The originally proposed legislation had essentially one price from coast to coast. Then it was decided by the Ways and Means Committee, after a considerable amount of testimony, that at least for the first 4 years of this program there ought to be nine regions in the United States where the costs are determined, where the price will be determined according to labor costs in those respective areas, et cetera, other costs in those respective areas.

It was recognized, too, that there may be a fundamental distinction between rural and urban hospitals. That category has been established, too.

□ 1230

We might hope that at the conclusion of 4 years' time a national fair price might be arrived at for the medical service, so that if there are inefficiencies indigenous to any of the given regions, those inefficiencies by graduation over the 4-year period of time might be eliminated; but due consideration has been given to the providers to phase in this commonsense approach from the taxpayers' point of view.

That, in essence, is what we offer.

I think it is an idea not only whose time has come, its time probably came at the time that we began the medicare system, but happily it is an idea that has converged, that is to say, various parties to this action, this creation of legislation, have converged in the opinion that it ought to be enacted. It ought to be the least controversial part about this legislation, and yet at the same time it could very well be one of the more salutary elements of this legislation.

Mr. CONYERS. Mr. Chairman, will the gentleman yield?

Mr. JACOBS. I yield to the gentleman from Michigan.

Mr. CONYERS. Mr. Chairman, I want to compliment my colleague for many of the issues he has raised in his committee in connection with this legislation.

Has the gentleman unfolded the saga of Government employees being folded into the social security system and does the gentleman still oppose that provision?

Mr. JACOBS. I think the proper answer to the gentleman is that it is not one of the provision of the bill which animates me to support it. It is well known that I opposed it in the committee. There is a rule that does not allow an amendment now.

Having said that, I believe that whatever odium I find in that provision is outweighed by a number of other provisions which I think are necessary.

My personal opinion is, and I will continue to hold this opinion and work for reform in the future, my personal opinion is that there are welfare elements to the social security program.

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It seems to me it would be hard to argue otherwise; the special minimum benefit, for example, returns more than a poor person over a long period of time was able to pay in because of very low wages. The weighted benefit is another example.

Now, I think it is fair to say that where there is public assistance, that that is a general obligation of the Government, just like the common defense, the police and all the other elements of governmental obligation.

My personal opinion is that that part of the social security scenario ought to be borne by all taxpayers and, therefore, it would be wise to pay for that, just as the other welfare element of social security administered by the social security program, SSI, is paid for by general revenue funds, which is to say a progressive net income tax. If you did that, my opinion is that automatically, not just new Federal hires, but all Federal hires and all State hires, all people in the United States who have not slipped under the rug out of Uncle Sam's cold, clammy, icebox are going to be paying the Federal income tax and, therefore, would participate in that burden; but I urge the gentleman and I urge my colleagues to hear what I have just said, that what is being done in this bill is not odious enough to me to mean that the bill ought to go down, because if this bill goes down, I think the social security system might well go down next July.

Mr. CONYERS. Well, I want to thank the gentleman, because I think he has waged a conscientious and a noble struggle to keep some fairness for Government employees. I suppose we can tell them that they can believe that they will be saved harmless. That is the term that I understand is floating around.

Mr. JACOBS. I will continue to work for reform in the future, as my classmate from—what was it, 1966, has worked, 1985, whichever it was, has worked for reform, too, and the Member in the well is not given to gush, but the Member in the well will express his profound respect and admiration for the gentleman from Michigan.

Mr. CONYERS. I thank the gentleman.

Mr. COLEMAN of Texas. Mr. Chairman, will the gentleman yield?

Mr. JACOBS. I yield to the gentleman from Texas.

(Mr. COLEMAN of Texas asked and was given permission to revise and extend his remarks.)

Mr. COLEMAN of Texas. Mr. Chairman, I rise in support of the pending legislation, H.R. 1900, the Social Security Act Amendments and I ask unanimous consent to revise and extend my remarks.

I would like to compliment the freshman class and all of my colleagues in the House for their diligence and willingness to address the controversial issue of social security

reform. The broad, bipartisan support for the fundamental structural reforms embodied in H.R. 1900 is a tribute to the leadership of the House and the Ways and Means Committee. I believe that this legislation equitably distributes the burden needed to achieve a viable solution to the long-term insolvency of social security.

By supporting this legislation, we have prevented the demise of both the social security and the civil service retirement systems. It will in no way merge these two systems but, instead, it will insure the continued viability of the two separate systems. Those currently retired and those now planning for their retirement in the future can regain confidence in the retirement systems promised by the Federal Government. While newly hired civil servants and existing legislative, executive, and judicial branch employees will begin to contribute to the social security system, we have assured them in this legislation that they will not only receive adequate social security benefits when they reach retirement, but they can depend on a supplemental system in addition to those benefits. Current Federal employees and retirees can thank the majority of the House for insuring the continued viability of the civil service retirement system. There is no question that without this reassurance, neither myself nor many of my colleagues could support this legislation.

Although publicity would lead one to believe that the civil service retirement system is on the brink of disaster if this legislation is passed, the real danger is President Reagan's 1984 budget proposal. President Reagan has recommended such dramatic changes as placing a ceiling on cost-of-living adjustments, an employee contribution increase up to 11 percent, a delay in the cost-of-living adjustments of 12 months, and even reducing the annuities of early retirees by 3 percent. The budget-cutting burden, regardless of the administration's claims, is not being shared equally. The civil service retirement system is an attractive recruitment and retention incentive. Once this incentive is eliminated, nothing will exist to bring qualified, talented individuals into our Federal work force.

Congress has made a commitment to the civil servants which can not be denied. Thousands of Federal workers have planned their retirements based on the expectations verified by existing law. Fortunately, the Federal employees enjoy the support of the Democratic majority in the House of Representatives. Speaker O'NEILL, Ways and Means Committee Chairman ROSTENKOWSKI, and Civil Service Committee Chairman Foss have all made assurances that they will oppose the Reagan administration's requests. They will fight for the preservation of the civil service retirement system and I will join them in that effort. With the verbal and written word of the ma-

jority of the House of Representatives, I can support the Social Security Act amendments, knowing that they will not in any way compromise the retirement benefits that the Federal work force deserves.

Finally, it is of the utmost importance that the Members of Congress take care of our Nation's elderly regardless of the retirement pension that they choose. That is not a task that I undertake lightly or without considerable deliberation. I am confident that with the help of my distinguished colleagues, we will make legislative history today and set a precedent for future generations to follow in providing a future for our Nation's youth and elderly.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. WALKER).

(Mr. WALKER asked and was given permission to revise and extend his remarks.)

Mr. WALKER. Mr. Chairman, it is with a great deal of reluctance that I cast my vote in favor of the committee bill. Ostensibly intended to put the social security system's finances on sound financial footing for the rest of this century and beyond, I am convinced that there is a good chance we will be back here before the end of this decade dealing with the same set of problems.

The history of this legislation has been a shameful display of partisan politics, in which the real needs of the elderly were ignored and their fears manipulated in order to gain political advantage in the recent elections. Two years ago, the administration, recognizing the system's pending financial difficulties, put forward a framework of recommendations which were intended to serve as the basis for a fair, long-term solution to the system's problems. Unfortunately, congressional Democrats, refusing even to concede that the system had any financial problems, immediately seized the issue and irresponsibly charged the administration with trying to take away the benefits of the elderly. Nothing could have been further from the truth. At the time, the Social Security Subcommittee of the House Ways and Means Committee was also developing a bipartisan plan to save the system. In order to maximize his political advantage, the Speaker of the House even called a halt to their efforts, thus killing any chance of enacting an equitable, long-term structural reform of the system. While the system's finances steadily deteriorated during the next 2 years, the Democratic Party conducted a campaign of terror against our Nation's elderly by issuing a stream of inaccurate and distorted charges aimed at those who were, in reality, trying to guarantee the system's future without any reductions in current retiree benefits.

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Out of this melee, the President established the National Commission on Social Security Reform, whose purpose it was to consider options in a nonpolitical environment and then make recommendations to the Congress on how best to shore up the system's short-term and long-term financial future. Even their efforts were deadlocked for most of last year by the very dynamics that forced the Commission's creation in the first place. At literally the last minute, they managed to stitch together a series of recommendations which even the Commission conceded would not solve the long-term problems, and which many analysts doubt will even solve the short-term problems. Now, with less than 6 weeks to go before the deadline, we are forced to consider the package in a crisis atmosphere, without even a chance to try and correct some of the more blatant problems on the floor of the House.

The choice is either to accept the committee's product, or to send the system into bankruptcy, a choice purposely scheduled this way by the Speaker and the Democratic Party leadership.

Despite the fact that, in general, the committee's bill relies too heavily on tax and revenue increases to deal with the problem, there are two aspects of the proposal that deeply trouble me. The first is the huge tax increase being levied on the self-employed, and the farm population in particular. The other is the taxation of benefits for individual beneficiaries with incomes above \$20,000—\$32,000 for a recipient couple.

The committee's bill would raise the tax on the self-employed to the full employer/employee rate—14 percent—which is in effect a 33-percent tax increase in a single year. That is a direct tax on labor at a time when we should be enacting incentives to increase labor. It will fall most heavily on small businesses, which have historically been the prime generator of jobs. In particular, I am extremely concerned about the impact that this will have on the farmers on my district, and the indirect impact on an already beleaguered farm economy.

Even though the social security tax increases are offset to a certain degree by refundable income tax credits, at some point this can only have a negative impact on the Federal deficit. As such, the tax will have a negative impact on employment, thus reducing the amount of real income flowing into the trust funds. In addition, it moves us closer to the establishment of a guaranteed annual income policy by putting the Government in support of a refundable tax credit. You can be sure that if there is any effort now or in the future to reduce or ameliorate the impact of this tax, I will lend my support to it.

The second provision that troubles me is the tax on benefits for individual recipients with incomes in excess of

\$20,000. This is the second highest tax burden imposed by the compromise. Although it is intended to recapture some portion of the benefit that is unearned, the real effect will be to penalize those who have saved for their retirement. At a time when we should be developing incentives to save and encourage people to work to supplement their retirement income, this proposal throws a huge obstacle in the path of those who attempt to do so.

There is no question but that improvements, if allowed, could be made to the committee's bill. I would be among the first to try to correct some of the problems outlined above. But improvements will not be allowed, and at this point there is no choice but to support final passage of the package.

Although there are many reasons to vote against the bill, the one powerful, overriding argument for voting in favor of the package is that we cannot let the system go bankrupt. We must act to insure that there is sufficient revenue coming in to at least guarantee benefit payments for the next few years. The only alternative is chaos, and that is obviously unacceptable.

We should learn from the lessons of the past and begin immediate consideration of a true reform package, one that will provide some measure of payroll tax relief while permanently guaranteeing future benefit payments based on earned income.

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Texas (Mr. GRAMM).

Mr. GRAMM. Mr. Chairman, I rise in support of this compromise package.

I would like to address those of my colleagues here today who have come to the well and said that we ought to work on this package further and that we should try to work out another package.

Mr. Chairman, I think we have had 2 years of an effort to work out a package to deal with the social security problem. I remember well 2 years ago when our President sent to the Congress a proposal to deal with the social security crisis that we all agreed existed. I remember that package hit here about 2 weeks after we voted on the budget and I also remember that many of my colleagues jumped to the microphone and put the boot to the first wave of political footballs on the social security issue, an issue that came to be the dominant issue in the 1982 elections and an issue which defeated many of the people in this body who were willing to stand up and take a position that we had a social security problem and that that problem needed to be dealt with.

Mr. Chairman, I do not think we are going to improve our situation by debating this issue any further. After 2 years of making social security the No. 1 political football in the country, the time has now come to do something about the problem.

I commend the bipartisan commission for their proposal, though I do not agree with every element of the proposal and I do not think it deals with the long-term problem.

I do not think we are going to adopt a proposal that I agree with every element of, nor do I believe this Congress is going to adopt one package that is going to deal with the social security problem once and for all.

Second, I commend the members of the Ways and Means Committee. I commend our Speaker and the majority leader of the Senate and our President for working out a package that keeps social security on its feet and gives us time to come up with a real solution to the problem.

Mr. Chairman, there are those who say that we do not do anything here except raise taxes. I am willing to grant that the great burden of dealing with this problem has been placed again on the shoulders of those who seem always to bear the burden for our failure, the working men and women of this country; but we do adopt changes that are important and changes that are equitable. We take the first step here in broadening the base of the social security tax.

We have heard a lot of people stand up and talk about asking Federal employees to pay the social security tax. Mr. Chairman, I think the time has come to ask every American to pay social security taxes. In 1937 when we were looking at what might be an actuarially sound system as a supplemental income program, it made sense to exempt Federal employees from social security taxes; but when today the system has clearly lost any actuarial balance, when it represents a tax and not a retirement program, it makes no sense to exempt Federal employees from bearing the burden of this tax and shouldering that burden with other Americans.

I am proud of the fact that the Congress has not bailed itself out of this package. I am proud of the fact that the first Federal employees to pay social security taxes will be Members of Congress, so that when Members come to the well and pound their breasts and talk about social security and dealing with the problem, they can now say, "Let's deal with it by taking more money out of our pockets, rather than just out of the pockets of those working people out there who pay our bills."

I think the time has come to stop the bailout whereby people were abandoning social security and leaving those Americans who continue to be covered with a heavier and heavier burden on their shoulders. It was imperative that we force our public employees to come under the social security system and to pay the tax along with others.

It was also imperative that we take steps to prevent State and local government employees from bailing out

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of the system and by leaving the burden that they were not sharing on the backs of workers in the private sector.

□ 1240

Mr. Chairman, there have been criticisms about us slipping the COLA by 6 months. I have had a lot of people come and talk to me about the COLA, and we all know it is a godsend that is critical to our retirees.

The CHAIRMAN. The time of the gentleman from Texas (Mr. GRAMM) has expired.

Mr. CONABLE. Mr. Chairman, I yield 2 additional minutes to the gentleman from Texas.

Mr. GRAMM. When we are asking the working people of this country to pay \$125 billion of additional taxes to keep the system afloat, it seems only reasonable to me that we begin a restructuring first by slipping the cost-of-living increase by 6 months, and finally, in 1983, changing the provision to pay the average wage or the CPI, whichever is lower.

Finally, in the compromise package, we take a very important step. Although the dollar volume of savings is low, it is a first step toward eliminating the current tilt in the formula system that produces the double-dipper problem by changing the formula to eliminate an unintended windfall benefit to people who draw a dual payment by paying them back on a formula basis of 41 percent instead of 80 percent, so there is a closer link between what they pay in and what they get out.

Finally, Mr. Chairman, this is not the package that I would have written, nor do I suspect there is any Member of Congress here who would have written exactly this package, but the bottom line is, this is the best package we are going to have an opportunity to vote on. If we do not adopt this package, we are going to have legislative chaos and we are going to have panic in the country. We are going to end up with a quick fix of going directly into general revenues, and once we let that genie out of the bottle, we will never get it back in.

This is the best package that under the circumstances, after 2 years of partisan demagoguery unparalleled on any issue during my political life, that we could put together and I urge that it be adopted.

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to a very able member of the committee, the gentleman from Ohio (Mr. GRADISON).

(Mr. GRADISON asked and was given permission to revise and extend his remarks.)

Mr. GRADISON. Mr. Chairman, as a member of the Social Security Subcommittee, I am delighted that the day so long in coming has finally arrived for the House to take up the financing needs of social security, both short term and long term. Others will discuss the specifics of this legislation;

I want to set forth just what this is—and what it is not. This bill is a conscientious, bipartisan attempt through compromise to meet the anticipated shortfall of funds during the balance of this decade and over the next 75 years. It is not the plan I would have written; indeed, I doubt that any one of us would have written the bill in just this way. Many of the provisions are troublesome if not objectionable. Saying this is not to damn the result but to acknowledge that it is the product of compromise, and to acknowledge that unacceptable as parts of this bill may be, the least acceptable course would be to reject this measure, our last best hope of putting to rest the fears of those who depend on social security for their personal financial security not only today but in years to come.

There are no guarantees that this package will do the job. If economic conditions of the past 5 or 6 years continue with wages lagging far behind prices, we will have trouble getting through the decade. But the assumptions are plausible; they are not pie-in-the-sky; they have a good chance of proving correct.

One warning, though, lest we pat ourselves on the back too quickly for "solving the problems of social security" for all time. The Medicare portion is in trouble—big trouble. Its long-term financial needs are not met in this bill, and responsible groups, such as CBO, predict depletion of the hospital insurance trust fund within 4 or 5 years. In other words, a future Congress will soon have to grapple with a major social security problem involving the same constituency—the elderly—and the same issue: how to develop a solution balancing higher taxes on the one hand and benefit adjustments on the other. This situation is made even more serious by the fact that \$12.4 billion has been borrowed by the old-age fund from the hospital insurance fund in order to keep retirement checks flowing, and the chances for repayment before the later years of this decade are slim.

One final thought. Some have argued that social security is a compact with the beneficiaries—a promise to pay the benefits provided under present law, whatever the cost may be. This bill rejects that interpretation. Others have argued that social security is a compact with the taxpayers—a promise to limit benefits to whatever taxes under present law will pay for. This bill rejects that interpretation as well. Social security and the political consideration of it, then, have reached a point of maturity which acknowledges the system's central role in our society; looked at broadly, the changes in this bill are not revolutionary changes in social security as we know it. But the willingness to make changes in benefits is a statement that social security is now so large that it not only is influenced by what happens to the economy, but it influences

the economy, requiring adjustments in social security itself from time to time—both in taxes and in benefits—with the best interests of the overall economy in mind.

I urge my colleagues to support this bill. It offers hope to present workers as well as former workers that social security will be around when they need it, and that the Congress—no, not just the Congress, but the Government as a whole—can temper partisan instincts when the clear call to focus on the public interest is heard in our land.

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to the gentleman from New Jersey (Mr. RINALDO).

(Mr. RINALDO asked and was given permission to revise and extend his remarks.)

Mr. RINALDO. Mr. Chairman, I rise in opposition to H.R. 1090, and urge my colleagues to join me in voting it down.

As the ranking Republican member of the House Select Committee on Aging, I have given top priority to social security because I believe we must restore the system to financial soundness, and it is clear we need legislation. We need reform.

But this bill is not the answer. It is a bad bill. It is an unfair bill, and it does not address the real needs of the social security system.

Six years ago, President Carter urgently asked Congress to approve massive tax hikes in social security. The Congress responded, giving him the largest peacetime tax hike in history. When President Carter signed that bill, he assured all Americans that the system would be sound for the rest of this century.

Now, we are debating legislation in another crisis atmosphere. Many constituents have been told that if we do not have this bill, they will not receive their benefits. If we do not have this bill, workers who have paid into the system for years may not get the benefits to which they are entitled. If we do not have this bill, the system will go bankrupt.

Mr. Chairman, we are playing charades with the American people and with the social security system, and that has got to stop.

Whatever legislation we approve will affect over 150 million Americans, including 115 million workers and 36 million social security recipients.

Any legislation that touches so many lives should be open to debate and amendment by the Members of Congress, and it should deal with the real problems of the system.

This bill falls short of those goals. The legislation we have before us today does not allow us to consider amendments. It is a modified closed rule. In fact, Congress today has been handed a package of proposals—some of which would never even be considered on their own—and we have been told, "Take it or leave it."

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The Aging Committee, on which I have the privilege to serve, has looked long and hard at social security, and I am convinced after careful study that this legislation must be defeated, for many reasons.

This bill delays the cost-of-living increase for all social security recipients—millions of whom are now under the poverty level—by 6 months. It is clearly a benefit cut. I have heard from thousands of my constituents opposing this provision, and I believe the Government ought to live up to its commitments and not approve this provision.

We are increasing taxes for all American workers contributing to the system under this bill by tremendous amounts, on top of a tax bill that was passed last year to increase Federal taxes by \$99 billion in just 3 years. We are penalizing self-employed workers and small businesses by drastically increasing their contributions to social security.

But that is only one side of the coin. While we are asking all these people to pay more into the system, the committee is asking us to reduce benefits. Another proposal would have us increase taxes even further.

We are also asking civil servants to come under social security, yet we have not even addressed the question of what kind of pension system will replace the one they now have. Consequently, we are asking them to pay an additional 7 percent in tax to the Federal Government without even indicating what the future system will be.

What is worse, Mr. Chairman, is that the American public will be shocked this summer when they find out the situation in medicare. Right now, actuarial estimates show the medicare system will be over \$400 billion in debt in 1995. Either the medicare tax must be raised, the system must be changed, or some general revenues must be used. Whatever happens, it is obvious that remedial legislation will have to be considered and approved by Congress.

There is a Commission now studying the medicare problem and they are due to issue their report in the middle of the summer. Clearly, it is possible for us in Congress to approve remedial legislation for social security and consider the medicare report in conjunction with the results of the National Commission on Social Security Reform which has just completed its work. But to stand here today and tell the American people that if we pass this bill, the system will be safe, is simply not true.

This legislation is filled with provisions that I cannot support: A 6-month delay in the COLA allowance. A tremendous tax increase on self-employed individuals and all working Americans. A benefit cut for middle-age Americans, and a long-range tax increase for all Americans. Taxation of social security benefits in clear viola-

tion of the commitment of Congress that benefits will not be taxed.

Mr. Chairman, I firmly believe there are better solutions in the long-range and more responsible policy alternatives in the short-range. This bill should not be approved. Instead, we ought to address ourselves to the real problems of the system. If the retirement age is to be changed, let us be honest with new workers. Let us tell them that we will have a "new contract" with them so that they will know what to expect when they retire.

As it stands, this legislation does not address the system's needs and it is being considered under a rule that does not allow Members to offer amendments to improve.

I intend to vote against this legislation, and I urge my colleagues to join me in defeating it.

□ 1250

Mr. CONABLE. Mr. Chairman, I yield 7 minutes to the gentleman from Missouri (Mr. GEPHARDT).

Mr. GEPHARDT. Mr. Chairman, I thank the minority side for yielding this time to me.

Mr. LEVITAS. Mr. Chairman, will the gentleman yield to me?

Mr. GEPHARDT. I yield to the gentleman from Georgia.

(Mr. LEVITAS asked and was given permission to revise and extend his remarks.)

Mr. LEVITAS. Mr. Chairman, I rise in support of H.R. 1900, the bipartisan social security compromise. I oppose the closed-rule procedure under which we are considering this bill, and I regret that we did not have a recorded vote on that rule so that it could have been defeated to allow us to vote on many of the separate issues and alternatives that could be considered.

We are told that what we are considering here today is a social security "reform" package, but it seems to me it is more appropriate to say we are considering a social security "rescue" plan. I say "rescue" because the bill we will vote on today is little more than a temporary bailout proposal that is only a first step to solving the deep-seated, long-term, structural problems that will continue to plague our social security system long after this legislation becomes law.

It is a real tragedy that the President and Congress are passing up this opportunity to enact a true reform package which would make the social security system once again a fair, affordable, and viable program. At best, with this plan, we are rescuing the system from short-term problems, but we are doing so in a way which is not as equitable as it could be and in a way which just postpones the problems. Under this plan, we may be back in 2 to 3 years facing the same questions and the same concerns about shortfalls and the same inequities in the social security system.

It would have made more sense to face the true problems head on, today,

instead of putting off until tomorrow decisions on truly reforming the system. Why just postpone cost-of-living adjustments as this bill does, when what we really need is a change in the structure of the COLA formulas and their relationship to the funding mechanism. Why keep raising payroll taxes, which are already overly burdensome, when what we really need is to make structural changes in the system to improve the management of the funds, and establish some permanent balance between the outflows and intakes of the system.

Unfortunately, we have no choice today but to consider and vote upon the "rescue" package before us. I was disappointed that the rule for consideration of this bill allows only two amendments. I believe it would have been more appropriate to consider this bill under an open rule which would have allowed consideration of amendments to make this rescue plan a reform plan. An open rule would have allowed Members to record their views on addressing the long-term problems of the social security system.

Now we are in the middle of this debate, with only one alternative before us. While it is not the best alternative, it is the only choice we have been given. There is no question that something must be done to address the immediate crisis of the social security system. This bill will provide some relief for the system and it will avoid an immediate crisis. If a short-term fix is all we can vote on, then we must vote on it and I will vote to pass it. But it is a shame that we have not been given the opportunity to consider proposals which could actually solve the problems of the system, instead of just postponing them. Once again, however, the political courage to bring true reform proposals before the Congress is lacking.

I have a sense of déjà vu as we debate this bill today, for I recall similar debates in the past on similar plans to solve the problems of the social security system. The words of Santayana come to mind: "Those who disregard the past are bound to repeat it." And I anticipate that his words will prove true once again, as once again we only consider temporary fixes to the short-term problems which will lead us back to this same debate a few more years down the road.

This problem with social security is not a new one. In fact, as early as 1975, when I first came to Congress, I was pointing out the need for congressional attention to the social security system, and the need for that attention to be immediate before we reached the crisis situation we are in now. In 1975, I stated on the House floor:

"It should be a matter of the highest priority for Congress to begin to do something about this problem now and not wait until the crisis is upon us and emergency measures and ill-considered reactions are required."

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In 1976, I again stated:

The warning signals are getting louder and louder, and we still ignore them at our peril.

Once again, in 1983, we are settling for short-term fixes to the social security system, and are not solving the long-term problems that plague the system. In 1976, I made a statement on the House floor that easily can be restated today.

The present Social Security program is dying on its feet, and threatens to expire if prompt and drastic remedies are not sought and found. But to date, the only response of the Congress and the administration has been half measures designed to prop up the present system, letting it limp along without ever dealing with the root causes of its distress.

Unfortunately, at that time we looked only to quick fixes, including tax increases, and now we again are looking at the same type of quick fixes 7 years later.

We should learn from our past, building on previous decisions and correcting those which have proved incorrect. In President Ford's state of the Union address, he called for an increase in social security taxes, and I said at the time that these taxes were "simply more of the same old, costly but worthless medicine . . . aimed at making what has proven to be an unviable system viable; it will not work; the approach has not worked and if it continues the system will surely fail from bankruptcy or a tax-payers' revolt." . . . "Propping up the program so that it may limp along from year to year, at the expense of the workers and retirees alike, is dishonest and foolish."

In 1977, when Congress last passed social security reform legislation, I denounced the Band-Aid and Mercurochrome approach taken then to shore up the system, and I predicted that we would continue to face social security financing problems as long as Congress merely rearranged the furniture on the deck of the *Titanic* every few years. Once again, we are attempting to prop the system up on crutches which have already proven too weak to support it. Here we are again, only this time the band-aids are bigger—and still ouchless. The crutches are being pulled out of the closet for one more go around, and the smell of mercurochrome continues to pervade this halloved Chamber.

I believe we can solve the problems of social security if we are able to make the necessary changes, even those which may be unpopular with some groups. The problem is too serious to continue avoiding these decisions. We need long-term solutions, not more recommendations and issue-ducking decisions.

In that 1977 reform legislation, there was one provision that gave the American people some hope that a genuine, fundamental, comprehensive reform plan would be forthcoming. That provision, which established an

independent, nonpartisan National Commission on Social Security, came about as a result of legislation that I introduced.

After a 2-year study, which included field hearings and close scrutiny of the system, the panel of experts who made up the National Commission issued a report in March 1981 on how to improve the system. While I did not agree with all of the Commission's recommendations, its findings provided an excellent basis for congressional action.

Unfortunately, the White House and the Congress chose not to deal with the festering social security problem at that time, and so President Reagan appointed yet another Commission to duplicate the functions of the first nonpartisan National Commission. I am told that the President's Commission based its work on the findings of its predecessor.

The Presidential Commission's major recommendations are contained in the social security bill, H.R. 1900, which we are considering today. This bill calls for:

Accelerating to 1984 the social security payroll tax increase now scheduled for 1985, and accelerating to 1988 a portion of the payroll tax increase now scheduled for 1990.

Raising the self-employment social security tax rate to make it comparable to the full employer/employee rate.

Extending social security coverage to all new Federal employees, all current Members of Congress, the President, the Vice President, Federal judges, senior political appointees, and employees of nonprofit organizations.

Banning withdrawal of State and local government employees.

Taxing half of the social security benefits for retirees with an annual income of \$25,000 (single) and \$32,000 (couple filing joint return).

Permitting interfund borrowing.

Raising the payroll tax 0.24 percent in 2015.

Reducing initial benefit levels by 5 percent between 2000 and 2008.

Some of the provisions are a start toward true structural reform, and taken together the provisions will protect the system for a few years. This protection is necessary for a few years. This protection is necessary and therefore the plan should be supported, but I wish a more equitable approach could have been considered.

Regrettably, the Commission's package, which is incorporated into this bill, consists too much of tax increases. In fact, tax increases account for 77 percent of the total package, and the heaviest tax burdens are carried by young taxpayers, self-employed small business men, and those who have diligently saved for their retirement.

I believe that the accelerated payroll tax increases could have a very detrimental effect on our troubled economy. Consumer spending, personal savings, and business investment will be

reduced as a result of the Commission's tax proposals. Moreover, these tax increases will exacerbate our Nation's serious unemployment problem because increased payroll taxes will increase labor costs. I believe the long-term tax increases scheduled for the year 2015 are equally damaging, and I question how anyone can precisely predict social security shortfalls in the 21st century when we have so much difficulty projecting funding requirements in the short term.

Furthermore, I do not agree with the concept of taxing social security benefits for persons presently receiving them or for those approaching retirement. That would result in reducing benefits which the President and others have said they would not do. Even as to future retirees, I have a problem with taxing benefits because it would turn social security into a "means tested" program which it has never been. And clearly, it is unfair to expect those who do the most to save for their retirement to bear a special penalty for their efforts, as this bill proposes to do.

Rather than considering primarily ineffective band-aid proposals, I believe the Congress should have been given the opportunity to consider other proposals that could bring about genuine, structural reform in social security. I believe genuine reform should include:

Removing the "welfare type" programs from the system. The programs which were not originally part of the social security system—medicare and disability insurance—could be removed and funded, at least in part, by general revenues.

Altering the structure of the cost-of-living adjustments (COLA). The current COLA system was established in 1972 to avoid the need for Congress to legislate annual adjustments in benefits to compensate for inflation. The problem, however, is that the established automatic increases were based on rises in the Consumer Price Index (CPI) while the financing of these adjustments was based on wages—that is, the payroll tax. In the past decade, real wages have declined while the CPI has escalated. We must move to relate the revenues going into the system to the benefits flowing out of the system.

Improving the management and investment of social security trust funds.

Changing the retirement age. Starting in about 7 years, the retirement age could be gradually raised over a period of about 10 years, to age 67 or more. People are living longer, they are working longer, and they are healthier. Many people want to stay on the job beyond the mandatory retirement age, but they cannot, at the same time, expect to receive social security benefits. This action would reduce the amounts being paid out of the system and work toward establish-

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ing a balance between outflows and intakes.

This legislation contains one proposal that particularly pleases me. I have always been a strong advocate of making the system apply to everyone, and I have introduced legislation in this Congress and in previous Congresses that would bring about universal coverage. I believe it is outrageous that the system does not now cover Members of Congress, who make decisions on the system, or even the Commissioner of Social Security, who administers the system. I am pleased that this legislation will include these individuals, as well as new Federal workers and employees of nonprofit organizations.

Universal coverage is appropriate because it is fair—not because it would bail out social security—which it would not. In fact, over the long run, it would be a financial washout with the new payers becoming benefit recipients. The point is that there should not be some elitist group of people not participating in social security while the rest of America does.

I am pleased that this extension of coverage is being done in such a way that the civil service retirement system will be preserved for its present participants. I know that many Federal employees are worried that bringing new Government employees under social security could jeopardize the self-sufficiency of the existing civil service retirement system. Actually, the Federal retirement system is not currently self-sufficient. In fact, according to the Congressional Research Service, employee contributions account for only 13 percent of the funds currently being paid into the system. Another 25 percent comes from interest, and the balance comes from congressional appropriations. Therefore, the future solvency of the present civil service retirement system is dependent on the commitment of Congress to keep it funded. I believe that is an absolute commitment which must be honored.

Congress also has such a commitment to make every effort to solve our social security problems. We cannot back away from these decisions. As I said in the 94th Congress, we must get on with the job that has to, and must, be done if we are to keep the social security system solvent, and keep our unbreakable commitment to the American people. The best solutions may have been overlooked in our hurry to rescue the program in this bipartisan compromise. Certain proposals should have been considered, and voted on by the entire Congress. But political courage was lacking to bring these difficult choices to the floor.

I hope that this will not happen again. As I said before, I believe we may be back in just a few years to consider again measures to save the social security system. I hope we will be braver than we were in 1977, and than we are being today.

The opportunity to pass a true reform package has been passed up in our haste to put together a rescue plan. But I do believe strongly that we must do something while there still is time to save social security. The entire package that we are voting on here today is not completely satisfactory to me, but I am prepared to vote for it because we have no alternative at this time. We must take some action. Therefore, I intend to support this social security "rescue package."

I suppose that a dirty old plank is better than no plank at all to the victims of a shipwreck. And we must grab that plank now, and keep the American public from drowning.

Mr. GEPHARDT. Mr. Chairman, I think we all must remember that this is the second time since 1936 that the Congress has considered and debated a major reform in the financing of social security. Some of us were here in 1977 when the same kind of debate went on and when we felt we had fixed the problems of social security until way into the next century. Many of us were convinced that was the case. Obviously, as we are here today, that was not the case, and we face again the business of reordering and restructuring the financing of the social security system.

In my view, this restructuring is imperfect, but it is an important step in the right direction. Its creation reflects credit on all who have addressed the problem, ranging from the President's Commission to all of my colleagues on the Committee on Ways and Means. I want to take this opportunity to commend the chairman of the subcommittee, the gentleman from Texas (Mr. PICKLE), for the work, the perseverance, and the energy that he has contributed in achieving the consideration of this most important bill, because without his leadership, I doubt that we could have gotten this far.

In my view, social security is a valuable program that absolutely must be preserved. It is part of the fabric of our society. It is a successful program that is, on a daily basis, doing great things for Americans. However, it is not the program and it is not the fabric of the program that is wrong. I think, rather, we are the victims of honest mistakes that Congress has made in the past, including in 1977, and unprecedented economic events, and the two together have created the problem we face.

I remember well, as I said, standing here in 1977 and believing that we were doing the best we could, that we were doing the right thing, and that it would solve the problem. It did not. We made honest mistakes, we made wrong assumptions, and the economy did not work the way we hoped it would.

So I speak today with humility, not saying that this is the best solution or even the final solution. Rather, I say that social security must be saved and

this is the best package at hand to do the job. I honestly believe there is no other package that can be put together this year, and I think this is our last and best chance to solve the problems of the system.

It is a good package. It evenly distributes the pain that is the price we must pay for reform. It is fair. It contains no Draconian benefit cuts that will push the elderly over the poverty line, nor does it protect retirees by hitting workers with excessive tax increases.

It is my belief that this same spirit of compromise should extend to the long-term solution. I do not think we should rely entirely on a single solution or ask any single group to shoulder the entire cost. That is why I support the approach in the committee bill that includes a mix of benefit reductions and taxes to solve the long-term problem. We are asking everyone here to give a little bit to solve the problem. We are asking everyone to do something to address the long-term and the short-term problems. We are not asking anyone to give everything; we are asking everybody to do their part. The short-term solution is prejudiced a bit toward taxes, and the long-term solution is prejudiced toward benefit reductions.

The point I am trying to make is that I think it is fair; I think it is reasonable; I think it is a good compromise, and I think it merits the support of Members on both sides of the aisle.

Let me finish my remarks with just a few comments about the medicare reform. I think it is also important to note that while we are here doing the second major reform in social security since 1936, we are also doing the most major reform since 1965 in the medicare system. I stood on this floor in 1979 and argued against the Carter hospital cost containment bill. I said it would not work. I said it treated symptoms and not causes, and I said there were better solutions. I have to admit to the Members today that I was wrong because by not enacting something at that time, I think we missed an opportunity. I wish that we would have developed a better alternative than the Carter bill. I think that is what we have before us today.

Let us be clear about it. It is a regulation. It is a lot of regulation, but in my view it is better to have these regulations than the Carter cost containment effort, because this proposal is consistent with giving providers of hospital and health care incentives to be as efficient as they can be, which is very different than the Carter cost containment formula.

I do not know if it is going to work. It suffers from having the same complications the Carter bill did, but if any regulation in the health care field can work, I think this is it. It deserves a try.

Mr. Chairman, I think the medicare reforms, like the social security pack-

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age, merit the support of all Members, and I am happy to be here to support both today.

Mr. CONABLE. Mr. Chairman, I yield 13 minutes to the distinguished gentleman from Texas (Mr. ARCHER), a member of the committee.

(Mr. ARCHER asked and was given permission to revise and extend his remarks.)

Mr. ARCHER. Mr. Chairman, I thank the ranking minority member of the committee for yielding this time to me, and I compliment him on the work that he has done, both as a member of the National Commission, on which I also served, and in the committee deliberations.

I must say further that in all instances my views have been given a fair hearing, both in the subcommittee headed by the distinguished gentleman from Texas (Mr. PICKLE) and in the full committee chaired by the gentleman from Illinois (Mr. ROSENKOWSKI) who I think has done an admirable job in running our committee.

Having said all of that, I must say that I am in opposition to this package. Most of the argument in favor of H.R. 1900 has been on the basis that politically it is all we can do. The decision within the National Commission, ironed out in a 24-hour period, was politically dictated and politically motivated. The testimony of our former colleague, Joe Waggoner, also a member of the Commission, when he came before the Ways and Means Committee, aptly points this out. We are told that we cannot do better and, therefore, we must accept this package.

□1300

That, as I listen, is the only real argument for voting for it. I have been around here long enough to know that massive political momentum is seldom overcome by reason and substance. Yet H.R. 1900 does not solve the structural financing and equity problems in the long term or perhaps even in the short term. It is yet another Band-Aid that, if we are lucky, may stick over the wound for a few short years. I cannot tell either the young or the old alike that they can now have confidence in social security as a self-contained, viable system.

Under this bill, spending from the fund will continue to accelerate, creating a potential tax burden in the foreseeable future equal to 30 percent of payroll. I do not believe that future generations will be either willing or able to bear that burden.

It might be appropriate at this time to go over a bit of history. In 1973, I stood at this exact microphone and told the House that approval of the social security bill before it would result in a one-half trillion dollar deficit in the social security fund and that I could not support it. Many of those who support this bill today then said, soothingly, "Everything is going to be OK, you can count on the actuarial

protections, everything is going to be fine." Many others said, "Bill, I know you are right. Thank you for giving us this information. But, it just is not politically possible to vote with you."

Today it is almost *deja vu*. Many have come to me already and said, "Bill, I know you are right, but politics will not permit me to vote against this package."

History will show that from 1973 the deficit actually grew to \$4 trillion. I was a piker when I projected a half trillion dollar deficit.

In 1977, President Carter signed the biggest tax bill in peacetime history, attempting to close that massive deficit. Then he went on national television and announced that "social security is now secure for 50 years."

I opposed that bill, as I did the 1973 bill, because it was not a solution, and I decried the actuarial projections on which it was based as being overly optimistic. It was clear to me then in 1977 that projections showing inflation falling to 4 percent in 1981 and staying there for the next 70 years was not living in the real world.

And so here we are again, only 5 years later, proposing to bail out social security by a decision motivated by politics. It is just as clear to me today that the actuarial projections which predict that inflation will drop once again to 4 percent in 1991 and stay at 4 percent for 65 continuous years thereafter, that average wage increases will be 5½ percent for 65 continuous years, and that unemployment will be 5½ percent for 65 continuous years, are overly optimistic. That is a dream world; it is a utopia. It is not the real world.

And yet that is the foundation on which you have been told today that this is the ultimate solution to social security in the long term and in the short term.

We owe more to the elderly and to our children and their children. Even if I stand alone, I will speak out that we must do better. Our economy will not always be at the optimum, and if we err, we should err on the side of safety.

In the process of not safely solving the problem, this bill creates additional problems.

No. 1, it undermines the earned right concept by a massive infusion of General Treasury funds in direct and indirect transfers, coupled with additional accommodating revenue losses, totaling \$70 billion.

In addition, access to the Treasury in time of need is authorized on a month-to-month basis, whenever needed. It is called fixed monthly tax transfers. It is a gimmick. They say it is a new accounting term. But what it really is, is the ability of social security to make a short-term loan from the General Treasury, provided that it is paid back in 1 month. Since there is no money in the General Treasury, it merely means that the Treasury at the beginning of the month will have

to issue more Treasury bills and create a bigger national debt, driving interest rates up.

If this bill is adopted, social security will henceforth no longer be a self-contained system.

No. 2, this bill ruptures the historic parity between the tax treatment of employee and employer. The employee receives a three-tenths of a percent tax credit in 1984, but the employer receives a tax increase of three-tenths of a percent.

Small businesses will be hard pressed by this unequal treatment and the burden involved therein. Every national study that I have seen shows that payroll tax increases cost jobs. This one could not come at a worse time—January of 1984.

No. 3, taxation of benefits imposes for the first time a "means test" for social security beneficiaries and further shatters any vestige of the earned-right concept. It will also cause a real reduction in benefits for some.

For example, under this bill the spouse of a disabled person who works to try to make ends meet and earns enough to reach the threshold will actually cause a reduction in benefits. Those past the age of retirement who earn more than the earnings limit could actually lose more than 100 percent of additional earnings through a combination of taxes and benefit losses.

Additionally, the method of taxing benefits in this bill, is in reality, a tax on savings. It taxes savings at a higher rate, because a retired individual who has no income from outside savings is not taxed at all. The result is simply a higher incremental tax on savings at a time when most of this in this body say we need more savings incentives in America, and many of us even believe that income from savings, which has already been taxed once, should not be taxed at all.

In addition, in the taxation of railroad retirement benefits under the language in the bill permits the potential of the railroad retirement fund receiving a windfall of over \$300 million at the expense of the social security fund, which could ill afford to lose those funds.

No. 4, increased taxes on the self-employed are massive—in January 1984, a 27-percent increase at one time. Many self-employed will undoubtedly join the ranks of the underground economy to escape this, and those who do not will in many cases be hard pressed to maintain their standard of living.

□ 1310

No. 5, the so-called stabilizer will not do all that its proponents claim. Had it been in effect it would not have prevented our present problems. Only a 30-percent trigger level would have kept us from having to be here today, yet the bill only includes a 20-percent trigger level.

For what good it would do it should be implemented in 1985 instead of 1988. However, in the long term it does nothing to restrain spending from the fund. The actuaries do not show it benefits the fund one single dollar.

No. 6, the windfall benefits to noncovered employees, sometimes called double dipping, is not fully cured because H.R. 1900 embraces only 50 percent of the remedy suggested by the National Commission.

No. 7, this bill does not repeal the earnings limitation, a massive disincentive to working beyond retirement years.

No. 8, there is in reality no "fall-safe" really in the bill except to come back to Congress, and that is exactly what the Commission's recommendations hoped to avoid.

No. 9, with the changing economic conditions of more and more women working—over 50 percent in the work force today—we have not made structural reforms necessary. Only short shrift has been given to that problem.

In short, this package is not a reform package and will not stand the test of time. In committee I offered a package that would continue social security on a basis that meets all of the above objectives.

There is a positive answer to these problems for those who have the courage to embrace it. I am sad to say H.R. 1900 does not.

In 1784 Samuel Adams, speaking on a major national issue said, and I quote,

The necessity of the times demands our utmost circumspection, deliberation, and fortitude, for we must seriously consider that millions yet unborn may be miserable sharers in this event today.

I believe the impact of social security is our Nation's No. 1 economic problem in the long term. We can do better. I believe we must.

Mr. CONABLE. Mr. Chairman, I yield 1 minute to the gentleman from Arizona (Mr. RUDD).

(Mr. RUDD asked and was given permission to revise and extend his remarks.)

Mr. RUDD. Mr. Chairman, 6 years ago, the 95th Congress passed a social security rescue package that was advertised as a long-term panacea for a program headed toward bankruptcy. That bill, which included major payroll tax increases for the decade of the 1980's, was shortsighted and blatantly ignored many of the very serious fundamental reasons the social security program was becoming bankrupt.

It should come as no surprise to any of us why the 1977 plan failed, and it should be just as apparent why the bill before the House today will not do the job. It relies heavily on this never-ending pattern of higher taxes, it cleverly induces more uses of general revenues, and the bill makes no attempt to correct some of the underlying problems that have led this system to the brink.

While I do oppose the bill, H.R. 1900, as reported from the committee,

I urge my colleagues to support the amendment to be offered by Mr. PICKLE, one of this body's foremost experts on this subject. Raising the retirement age on a gradual basis, as his amendment would do, is about the most reasonable action we can take today. His proposal would up the retirement age to 67, phasing this change in over a 22-year period, beginning in the year 2000.

Demographic changes over the last four decades alone have made a retirement age change essential if we expect social security to survive for future generations. In 1940, life expectancy was about 61 years for a man and 65 for a woman. By the year 2000, men reaching age 65 may be able to live another 16.4 years while women may live another 22 years.

Greater longevity is certainly good news for us, but it is bad news for a retirement program using outdated facts. A gradual retirement age increase of only about a month per year, keeping in place early retirement benefits at the current age of 62, will give future retirees plenty of time to plan for retirement and not affect those who are near retirement.

Another startling statistic that has evolved since the inception of social security is the wage-earner to beneficiary ratio. In 1945, we had almost 42 workers for every beneficiary of social security. Today, because of lower than expected birth rates and greater longevity, the ratio is about 3.3 workers per beneficiary, and dropping. The pay-as-you-go financing scheme in social security leaves our younger generation with a tremendous burden, unless we alter the structure of future benefits in this program.

The proposals contained in the core bill, H.R. 1900, do not secure the program for today's workers, and several of the bill's provisions further dampen the original purpose of social security since its enactment in 1935. The program's benefits have continually expanded since then.

What started as a supplemental retirement program to help workers plan for the future, now includes: disabled insurance, a health insurance program, early retirement benefits, extension of benefits to survivors and dependents of the original beneficiaries, and the indexation of benefits and the wage base to inflation. To top this off, in 1972, when Congress first authorized annualized COLA's, a 20-percent benefit increase was included by a change in actuarial assumptions.

These demographic and legislative changes to social security left but a few alternatives for Congress to keep the system in balance: Either raise taxes and the revenue options or change the computation of benefits. Needless to say, the tax side has taken the brunt of this choice. The combined employee/employer payroll tax has risen from 2 percent in 1937 to 13.4 percent today, and under this bill that rate will climb to almost 16 per-

cent in 1990. Maximum taxes from 1970 to 1982 alone have gone up 580 percent for the employee while taxes for the average wage earner rose 259 percent.

This bill seeks to accelerate, or in effect raise, payroll taxes again. For self-employed persons, this bill raises taxes by 33 percent to equal the combined employer-employee rate, and allows the self-employed workers to deduct half of their retirement taxes for income tax purposes.

How far can we cut into a worker's paycheck before it no longer becomes an incentive to work? The loss to the private economy is enormous in terms of increased burdens to the employers, burdens which eventually lead to less investment, less private saving, less economic growth, and ultimately, less jobs.

The legislation also proposes to begin taxing a retiree's benefits by 50 percent if an individual earns more than \$25,000 in annual income. Proceeds for this additional tax will be moved from general revenues to the social security system. This change strikes at the heart of the "earned right" concept of social security, and in effect penalizes those who have had the foresight to plan for their retirement.

I am disappointed that the committee did not put a permanent control on cost-of-living adjustments, which are probably the single biggest cause for the tremendous growth in benefits since 1972 when these inflation adjusters were instituted. High inflation during the 1970's, coupled with lower wage earnings growth, left the system's income well behind benefit growth. Since 1965, wages have increased 169.9 percent while social security benefits rose 209.9 percent because of indexation.

Delaying this year's COLA may save \$40 billion, but it does not prevent future disparities in automatic benefit increases from again putting the system out of balance.

Social security now accounts for 28 percent of our Nation's total Federal budget. It affects nearly every single American with 116 million citizens paying into the system and some 36 million receiving retirement benefits. With so much at stake in this program, we need to make decisions which not only reflect sound economic judgment, but which allow our present and future retirees the chance for a secure program to count on. We must not rely on this bill's mixed bag of short-term remedies if we expect to realistically meet this dual commitment to our young people and present retirees. This legislation does not reform a program that is plagued by past legislative mistakes and political compromises.

What this bill does do is postpone the inevitable reckoning day for our Nation's social security and budget deficit problems by hiking taxes and

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utilising general revenues to shift the problem to our already overspent Federal budget revenue. These changes will not help social security over the long run, and they can only hurt our economy in the short run.

I urge my colleagues to vote against this package and make the changes necessary to right the fundamental wrongs that have turned a good program into what might become a bankrupt one.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas (Mr. PAUL).

(Mr. PAUL asked and was given permission to revise and extend his remarks.)

Mr. PAUL. Mr. Chairman, The bill before us today does not represent a real solution to the social security crisis; it is more of the same temporary solutions we have come to live with here in Congress. Someday we will have to face up to reality and offer real reform to the American people.

For nearly 50 years now, the economic realities of the social security system have been buried under political expedience. Complete trust and unquestioned compliance by the people is finally giving way to skepticism and frustration in the Government's ability to correct the problems beyond a simple repair job.

In August 1935, Congress passed the Social Security Act. Its intent was to supplement, not replace, private retirement savings and insurance plans. The system was to pay for itself and be actuarially sound through voluntary contributions. No money was ever to be taken from general revenue. Throughout the years, the Federal Government has developed a perception of the social security system that benefits are something "bought and paid for" with contributions made over the years. Excessive increases in retirement benefits and continued assurances from politicians have misled people into believing that social security will take care of a majority of retirement needs.

This deception has enabled Congress to transform social security from a retirement insurance program benefiting its contributors to a social welfare program benefiting politicians.

The American people want and deserve to know the truth about social security. We must confront the problems with courage and inform the American people that politically, economically, and morally, social security is a failed social experiment.

THE POLITICAL CASE AGAINST SOCIAL SECURITY

Social security, like all government programs, has one inescapable ingredient—politics. The system's operation on a political basis rather than on an economic basis has greatly contributed to the problems it now faces.

The demise of social security began in 1939; only 4 years after its inception. Congress could no longer hold back its urge to raid the trust funds.

Dollars first collected through a compulsory tax system were then confiscated by Congress to promote social goals. Therefore, by assuming that current taxes could pay current benefits, Congress felt free to reach deep down into social security assets set aside for retirement and spend generously. Amendments to the 1935 Social Security Act accelerated and increased scheduled benefits. Unearned benefits were added for dependents of retired workers and for survivors of deceased workers.

The 1950's and 1960's evidenced a dramatic drain on social security's assets to pay for new welfare features and to expand existing benefits. In 1956, Congress established the disability insurance program. In 1965, amendments to the Social Security Act added the health insurance program, better known as medicare.

Total trust fund assets in relation to annual expenditures have deteriorated dramatically in the past 30 years. In 1950, the old age and survivors insurance trust fund had 1,343 percent on 1 year's benefits and in 1972, the old-age trust fund had less than 100 percent of 1 year's benefits. Today, in 1983, the trust fund is empty.

While politicians reap the political rewards of handing out free welfare benefits, many politically powerful special interest groups outside of Congress have used the social security program to promote their own social goals or principles irrelevant to the retirement insurance goals of the programs contributors. These groups, whose announced goals are laudable, have encouraged Congress to raid the trust funds and pass out free benefits. Appropriating funds through social security has been much easier than going through time consuming political debate and setting up new welfare programs that the public may not want to support.

We have now reached the point at which fulfilling the commitment is no longer possible without confiscating greater amounts of money from the people. Politicians have been overly generous with social security tax dollars. Our FICA payments are no longer contributions to a fully funded retirement program, but are taxes manipulated to fulfill political and social goals. As long as Congress has the purpose of continuing its control over our retirement, it is inevitable that no solution proposing to bail-out social security will be void of political aim.

THE ECONOMIC CASE AGAINST SOCIAL SECURITY

Every American President since FDR has assured the American people that the social security system is fundamentally sound. They were all correct if they meant sound as the dollar.

Social security is bankrupt. There is no money left. There was not even enough money in the largest trust fund—old-age and survivors insurance—to fulfill commitments in the latter part of 1982. The old-age insurance trust fund must give the disability

insurance trust fund an I O U worth between \$7 billion and \$11 billion just to insure benefit payments through 1983. Also, the National Advisory Committee on Social Security Reform estimated that \$150 to \$250 billion will be needed to keep the social security system solvent through 1990. Three weeks later, we learned that this amount is not enough—the projected deficit is even larger.

The long-term projections for social security are just as bleak and must not be ignored. Tax increases scheduled under present law will not be adequate to provide all future benefits promised. Social security's unfunded liability—the amount by which planned benefits to current participants exceeds planned receipts—is \$6 trillion over the next 75 years. This hidden liability is equivalent to \$43,000 for every adult now between the ages of 20 and 65. In terms of total Government obligations, this must be added to our national debt of over \$1 trillion. This actuarial deficit under our present social security program implies the need for tax increases far above those already scheduled.

What has happened to this, the supposedly greatest social welfare experiment ever undertaken in the world? Why, after nearly 50 years has the program suddenly run out of money?

One main reason lies not in the fact that the social security program has finally moved from a startup phase to a mature phase, but because politicians have stolen the money from the trust funds to pay for politically attractive programs and benefits. Benefit payments should be coming out of well-stocked trust funds—if it were a true insurance program. Today, the trust funds are nearly empty. History can prove that as FICA payroll taxes were dramatically increasing, the money in the trust funds decreased precipitously. In 1940, the old age and survivors trust fund had 3,276 percent of 1 year's expenditures. Thirty years later, in 1970, the trust fund had 115 percent of 1 year's expenditures. By 1982, the trust fund had close to 0 percent of 1 year's expenditures. Thus, the retirement portion of social security became a system totally reliant on a pay-as-you-scheme. The other two trust funds, disability insurance and hospital insurance will soon be joining old age and survivors insurance on bankruptcy row. If Congress extends the interfund borrowing authority, the combined funds will be bankrupt sometime during 1984. If interfund borrowing is not extended, disability insurance will be bankrupt sometime in 1983 and hospital insurance (medicare) will be in serious trouble during the 1990's.

This country is now faced with a very serious problem that cannot be solved by simply raising taxes on our already overburdened taxpayers, by implementing token reductions in benefits to retirees and welfare recipi-

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ents, or by compelling even more citizens to take part in social security.

The financial problems of social security have come not only from mismanagement within the social security system and Congress insatiable desire to hand out free benefits, but also from Government manipulation of our national economy and monetary system with irredeemable paper money.

The facts about social security have been kept from the American people long enough. The millions of workers who have been forced to pay social security's bills are not only demanding answers, but deserve to know the hard economic facts about this compulsory system. We in Congress have a compelling obligation to fulfill this demand. Unfortunately, there are too many people in and out of Congress who do not take this obligation seriously.

As is the case with most Government programs, financial problems that develop are blamed on everything except the Government itself. The causes of social security's difficulties, however, rest precisely on the Government's shoulders. The problems feed on themselves causing ever greater economic hardships for our elderly. The economic deficiencies of the present makeup of social security are well documented in the fact that it has taken the Government less than 50 years to change the system from a retirement insurance program into a current taxes pay current benefits system, emptying the reserves in the largest of the three trust funds, and threatening to empty the other two. Yet, it is maintained that social security does not need trust funds because, unlike a private insurance company, the Government can force future workers to contribute whatever is needed to meet all benefit obligations. But this country is still a democracy, and this power to tax to meet social security obligations hinges on the ability and the willingness of the American people to do so.

Any private insurance company found financing its program with current premiums paid by the people would find its board of directors in jail and the company filing for bankruptcy.

The prevailing attitude in Washington toward solving social security's problems continues to center around increasing the Government's role in controlling what clearly should be a private affair. Solutions calling for less Government control are quickly shrugged off as being a threat to present or future retirees. Anyone espousing the idea of making social security voluntary—not to mention phasing the program out altogether—is labeled an enemy of social security and our elderly. The real enemies of our present and future elderly, however, are those who continue to call this pay-as-you-go scheme security.

Social security has been exploited by Congress to the extent that millions of

Americans have now become financially dependent upon the Government for retirement income and economic security. Many people believe that they have a legally enforceable contract with the Government entitling them to future benefits. The truth is, Congress had no obligation to guarantee this form of economic dependence it has created. The Supreme Court has ruled that there is not legal, enforceable contract between the U.S. Government and the citizens concerning social security benefits. Social security benefits can be changed or terminated at any time by Congress, and the Government's right to confiscate individual social security benefits has been upheld in the courts (*Fleming v. Nestor*, 80 S. Ct. 1367 (1960)).

The greatest hypocrisy that Congress is committing against the American people is that social security contributions paid by the employee and the employer are accumulated with interest in a special account with the employees name on it. The Government stopped doing this in 1939. Instead, the taxes barely have time to reach the books of account at the Social Security Administration before they are sent as earned benefits to 36 million people every month. Because of this substitution from an insurance annuity program, the length of time it takes a retired individual to recover FICA taxes is very short. Studies done by the Congressional Research Service of the Library of Congress shows that a minimum wage earner will recover his social security taxes paid in 13 months. The average wage earner will collect in benefits what he has paid, in 17 months. The maximum wage earner will receive contributions in 22 months. On the surface this type of arrangement is a good deal for our elderly. Receiving more in benefits than paid in taxes appears as though the Government is doing a good job of investing. This seemingly wonderful arrangement is typical of the startup phase which social security has been operating under for the past 50 years. The startup phase allows recipients to receive greater benefits from the Government than could have been earned if the money had been invested in the marketplace. But now, the system is entering the mature or pay-as-you-go phase. The trust funds are near empty, and the cry for increased taxes and reduced benefits are echoing in the Halls of Congress to save the system. The truth of the matter is, social security benefits and services received for the rest of one's retirement years are not paid-for benefits, but rather free windfall Government assistance. While free windfall Government benefits are an economic gain for the 36 million Americans receiving such aid, they represent an economic loss for the 116 million Americans who are forced to provide these benefits through compulsory payroll taxes. This economic loss will become even greater as payroll taxes are raised to

adequately meet the expected demand in benefits and services.

As long as money remained in the trust funds—beyond that needed for retirement benefits—promises for new and increased welfare benefits kept growing. Benefit increases have been regarded as necessary corrective measures to keep the social security system from accumulating a heavy surplus. Now we have reached the point where even current taxes cannot meet current benefits. Congress overextended obligations have finally caught up with its somewhat limited ability to pay for them.

Many of the economic problems of social security lie in the deep-seated contradictions between the welfare aspects and the retirement insurance aspects of the system. The welfare aspects of social security—that is, aid for dependent children, supplemental security income, disability, and drug addiction and alcoholic provisions—have been expanded at the expense of the retirement insurance aspects. Social security has been and continues to be understood by a majority of Americans as an insurance program set up for their retirement. Because this contradiction is being ignored by politicians and the press, the reform proposals will only exacerbate the problems within social security, not solve them.

The solutions being proposed by the National Commission on Social Security Reform are nothing more than quick fixes that will not pull social security out of its deep financial troubles. The main thrust of the proposals is quite clear—to continue coercing and deceiving the American people into paying still higher taxes and encouraging a belief that the system is fundamentally sound.

Some of the proposed solutions include:

- First, raising payroll taxes;
- Second, reducing benefits and slowing cost-of-living adjustments;
- Third, taxing social security benefits;
- Fourth, raising the retirement age;
- Fifth, compelling all employees to participate in social security, including local, State, and Federal Government employees; and
- Sixth, subsidize the social security trust funds with general revenue.

As if the American taxpayers are not already overburdened with taxes, the Social Security Reform Commission wants to increase the contributions made to social security. The American people are so well acquainted with social security tax increases that for approximately 50 percent of all American workers, their social security tax is greater than their Federal income tax. The original combined employee/employer social security tax rate was 2 percent assessed against the first \$3,000 of income. This rate remained in effect until 1950 when the rate was increased to 3 percent. Today, the

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combined rate is 13.4 percent assessed against the first \$35,000 of income. The maximum yearly tax has increased from \$60 over the first 13 years of social security to \$288 in 1960, and now to \$4,690 in 1983. Already scheduled under a previously passed law, the combined employee/employer FICA tax is to increase to 15.30 percent of gross income in 1990 with, of course, the maximum taxable income increasing each year. But now Congress wants to advance this scheduled tax increase as early as January 1, 1984. This is just the beginning. The Social Security Board of Trustees 1982 Annual Report indicates that by the year 2030, the tax rate for the old-age and survivors insurance, disability insurance, and hospital insurance programs will have to approach 33 percent of gross income. The economic consequences of this proposal—to speed up the scheduled payroll tax rate—are being totally ignored to satisfy short-term political and economic goals.

Because the Government helps itself to social security taxes and quickly redistributes them, there is no benefit to the economy. Social security taxes cannot add to capital investment which is needed to help our deteriorating economy by financing homes, automobiles, businesses, and new factories. Raising social security payroll taxes will only benefit the politicians who want to continue to hide the truth. The American worker and the economy will continue to suffer with high unemployment and low capital investment.

Reducing benefits and slowing cost-of-living adjustments (COLA's) are admirable beginnings to solving the financial problems. There is no need for millions of Americans to demand automatic increases in their benefits especially when benefit increases rise faster than wage increases.

Taxing social security benefits is another ill-conceived proposal toward helping solve the financial problems of social security. Automatically increasing benefits every year and then turning around and taxing them is contradictory. This scheme will only add to our already confusing tax system, and will cause an increase in the administrative expenses of the Social Security Administration.

Another dangerous proposal to bring solvency to the social security system utilizes an increase in Government power to compel State and Federal employees to participate in social security. The debate should be focusing on releasing those under the Government's coercive umbrella, not forcing Government employees and charitable organizations to participate. Many argue that the social security program today is inequitable because all workers are not included. This type of attitude exemplifies the nature of a totalitarian society. Everyone must conform to absolute control by the state. A social security program therefore must

be compulsory for everyone in order to facilitate fairness and impartiality as defined by the state. By contrast, in a free society such as ours, where freedom of choice is believed to be a right that cannot be taken away by the state, as social security program is inequitable not because all workers are not included, but because it is compulsory for nearly everyone. It is therefore imperative that our social welfare experiment—social security—become voluntary in the hands of the free marketplace.

Another alternative to solving social security's financial dilemma is to resort to transferring funds from General Treasury revenues. This is the easy way out of the crisis since politicians do not have to answer directly to anyone. However, the country was over \$150 billion in the red in 1982 alone. The Government's checking account is empty and we all know that one cannot pay bills from an empty checking account—unless you have a printing press. By running to its printing press and making money out of thin air, the Government can solve its financial troubles without increasing taxes. Since Congress is not serious about cutting spending, it must resort to deficit financing. This manipulation of the economy through inflating dollars is, and will continue to be, a principal cause of social security's problems.

Congress, on the one hand, caused the need for COLA's and increased welfare benefits, while on the other hand, skillfully protects the social security system by granting automatic COLA increases and increased benefits. Unless Congress recognizes the fact that the difficulties within social security cannot be solved without first solving the inflation problems then once thought long-term solutions to the problem will quickly become only short-term solutions creating another financial crisis.

High rates of inflation also limit the role private pensions play in the retirement aspect of our lives. Social Security automatically keeps up with inflation, through cost-of-living adjustment, while private pension plans do not. Government finagling of the economy through a progressive tax system therefore discourages people from investing in private retirement plans.

All of these proposed solutions for social security must be recognized for what they really are—economic gimmicks for political gain.

THE MORAL CASE AGAINST SOCIAL SECURITY

While economic and political problems have devastated social security, there is one other concern that must not go unnoticed. Proponents of social security have long ignored the moral implications associated with a compulsory retirement system. The design of social security emphatically denies the individual his freedom and his liberty to choose what he will do with his earnings.

If social security was meant to be a retirement insurance program—fully vested and earning interest—then the Government could have merely required every person to take out old-age insurance with a private company. But because the Government thought it could do a better job than private companies, it has compelled nearly every worker in the United States to contribute to social security. Social security has become another example of the State extending its power over the individual. The Government will not be satisfied unless it forces every worker to contribute.

Social security's coercive nature has weakened our independent spirit. It has mitigated our belief in individual initiative to provide for our personal retirement, and has encouraged a dependence on a Government program based solely on the discretion and benevolence of politicians and bureaucrats. This program of redistribution is one of the country's most blatant intrusions upon our freedom of choice. It trespasses on almost every aspect of our personal lives. The Government has determined our behavior standards by ascertaining when we are to retire, and how much we can earn between the ages of 62 and 70 before being punished with lower social security benefits. These types of policies clearly overstep the constitutional responsibilities of the government and destroy the flexibility needed for us to manage our own lives as we see fit.

Social security is not a voluntary commitment by the people, but rather a coerced commitment dictated by the Government. A person cannot choose to opt out of social security if he thinks his own money can be put to better use elsewhere. Heavy legal penalties, including fines and imprisonment are levied against anyone who does not contribute his share to social security.

Social security's infringement on our freedom of choice should be considered no less serious than restrictions on our freedom of speech, press, and religion. We must not let the state convince us that a little coercion is good, for it will only encourage the wedge of state control to enter deeper into our liberty.

The use of Government threat and confiscatory powers must have no place in our society whose foundation was built on premises calling for limited government, sound money, minimal taxation, and personal liberty as the tools for economic prosperity.

THE SOLUTION

The solution to the problems of social security can be relatively easy and painless if we eliminate the political manipulation that has totally devastated the present system.

The social security system must become a fully funded insurance program supported only by those who wish to remain in a Government-run program. Social security must stop

being a coercive social welfare scheme. Below is an outline for solving the social security dilemma.

The most fundamental merit of this proposal is that it returns to the American people the freedom of choice to plan for their retirement. Nothing short of this will restore to the people the freedom they so desperately need and deserve to plan for the future of their own lives.

First, freedom of choice must be granted to every American citizen to voluntarily opt out of the social security system.

Second, no new workers are to be compelled by the Government to join the social security system.

Third, FICA payroll taxes will cease to be withheld from people voluntarily opting out of social security. The employer FICA tax will also be eliminated on those employees opting out of social security.

Fourth, all persons voluntarily opting out of social security will relinquish all claims to future benefits that would be provided under social security, regardless of the amount contributed into the system to date.

Fifth, persons voluntarily opting out of social security will have their social security records destroyed by the Social Security Administration.

Sixth, Government regulations pertaining to individual retirement accounts (IRA's) must be amended so that a person can put into these accounts at least the same amount previously withheld as FICA taxes—both employee and employer share.

All amounts contributed into IRA's and all interest earned on IRA's must be tax free in the form of a deduction against Federal income tax liability, and IRA's must be allowed to invest in collectables.

Seventh, all decisions pertaining to the type of IRA and the amount contributed to an IRA shall be the responsibility of the individual.

Eighth, the earnings limitation now imposed on persons between the ages of 62 and 70 shall be eliminated. This will end the present practice of the Government discouraging older Americans to continue contributing their skills and knowledge in the marketplace.

Ninth, persons currently receiving benefits are to be notified that the system is bankrupt and his present benefit level will become a ceiling.

All future payments will be financed on an annual basis. The amount needed for funding will be derived from:

First, savings through the elimination of foreign expenditures—both military and economic;

Second, selling government property;

Third, proceeds from the minting and selling of American gold eagle coins to the public; and

Fourth, payroll contributions from people remaining voluntarily in the social security system.

The system can use general revenue only to the extent that its use is offset by implementing the first three items above. An increase in the FICA payroll contributions on those remaining in the social security system will be necessary to fully fund their retirement—and all promised related benefits—and to make up any shortfall realized after exhausting the aforementioned recommendations for funding benefits for present beneficiaries.

Mr. CONABLE. Mr. Chairman, I yield 4 minutes to the distinguished gentleman from Georgia (Mr. JENKINS).

(Mr. JENKINS asked and was given permission to revise and extend his remarks.)

Mr. RICHARDSON. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from New Mexico.

(Mr. RICHARDSON asked and was given permission to revise and extend his remarks.)

Mr. RICHARDSON. Mr. Chairman, I realize this social security reform package is built upon a delicate balance of compromise and concession. I also realize the importance of keeping the social security system solvent.

But, Mr. Chairman, I must express my grave reservation about one of the provisions of this bill. I am speaking, of course, about the provision requiring all new Federal employees to be included in the social security system beginning January 1, 1984. I believe this provision is unjust and unwise.

If newly hired Federal employees are brought within the social security system, I am deeply concerned that the absence of any new contributions being paid into the civil service retirement system could bankrupt that system in less than 40 years. If that happens, Mr. Chairman, who will end up funding the revenues needed to pay Federal retirement benefits? The answer is obvious: The taxpayers will.

The civil service retirement system is the crown jewel of Federal employment. The system is viable and solvent. During the past 2 years of Federal budget cuts, job firings and RIF's, proposed pay freezes, and increased health insurance costs, the one thing Federal employees have been able to cling to is their assured retirement program. To endanger that program now is to strike an unwarranted blow against our Federal workers.

Mr. Chairman, I am fully aware that this proposal will pass the House in its present form. But I want to take this opportunity on behalf of the American taxpayers and Federal employees nationwide to warn the House of the grave problems this bill may create. I hope and pray that we will not be faced with the task of forcing taxpayers to shore up a weakened civil service retirement program in the coming decades. But I must say, Mr. Chairman, that I doubt this issue will solve itself and disappear into the night.

Mr. JENKINS. Mr. Chairman, through the past several decades the Congress and the various Presidents of both political parties have been in the enviable position on being able to vote for increasing benefits and expanded coverage under social security.

Unfortunately, the same Congress and the same Presidents have been reluctant and, indeed, they have been adamant in refusing to increase the taxes to pay for these increased benefits that they so freely voted.

As is the case in any benefit program, there is ultimately a day of reckoning. At some time benefits must be paid for by someone.

It takes no political courage to vote to increase benefits or to expand coverage under social security. It does take some degree of responsibility to make the hard vote in preserving a good retirement system that 36 million people now depend upon.

If any Member of this House decides to oppose this measure I respect that right. But with that opposition, if you are to be fair with the American people in opposing this bill, you do have some degree of responsibility to offer the alternative that you support. If you have an alternative plan, I would think you have the responsibility to go before the Rules Committee and ask for a rule that would permit your plan to be voted upon on this House floor.

It is easy to be against a measure where there are some political liabilities, but there is a degree of responsibility that each of us in this body have to make the hard vote where that is necessary.

Sure, you can say this increases taxes. Well, what is your alternative to some increase or speed up in taxes?

Yes, you may say that this decreases benefits ultimately. Well, what is your alternative to that?

Yes, this includes new Federal employees and you could oppose the bill because you say that is unfair. Well, what is your plan? Do you want to increase the payroll tax today? Do you want to increase the retirement age today for those nearing retirement?

The simple facts are unless you are a purist or unless you are finding some political reason to oppose the measure, then I think this package that is before us today, with whatever defects it may have, is probably the only measure that we will have the opportunity to vote on to preserve social security.

So I say, Mr. Chairman, there are many parts of it that I oppose, that I do not like. There are many parts of it that I opposed in committee.

There are some things that I wanted in the bill that I did not get. I am concerned about small business, the self-employed. I am concerned about a host of people.

But I say to this body that this is the only package that you will get to vote upon and if you vote against it

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without having offered an alternative, then you are simply saying, "I would prefer for the present social security system to go bankrupt rather than to muster up the political courage to vote for the bill." I urge my colleagues to support this legislation.

Mr. CONABLE. Mr. Chairman, I now yield 3 minutes to the gentleman from Florida (Mr. McCOLLUM).

(Mr. McCOLLUM asked and was given permission to revise and extend his remarks.)

Mr. McCOLLUM. Mr. Chairman, we are at long last facing this most critical issue of social security free from the demagoguery and acrimony that prevailed on this subject over the last 2 years. It is long overdue that we finally face the issue foursquare, and it pleases this Member greatly to see that occur.

Our senior citizens in this Nation deserve better than they have received in this regard over these last few months. Their fears have been unduly inflamed and we all should be saddened by that fact of unnecessary disturbance.

Our young people, the people of my generation and younger deserve the kind of consideration that we are now giving to this legislation because they have in essence lost the faith not only in social security but in a lot of other aspects of our Government.

There are parts of this reform package that I strongly dislike. I join with some of my colleagues who commented earlier in my dislike of the provisions in this bill that would require those who have \$25,000 and more income and are retired to report as part of their taxable income social security benefits and have them be included as part of income for the purpose of computing income tax liability.

I dislike the part in this bill which speeds up the social security tax increases which were enacted sometime back in other Congresses.

I dislike the portion of the bill that provides for harsh and large self-employment social security tax increases starting immediately instead of spreading the increases out over some period of time.

The checklist could go on to detail preferences on my personal part. But I believe that this bill is the bill. It is a compromise and I have spoken with many of my constituents about this bill and I can tell you today that they want to see a compromise passed to gain security for the social security system.

□ 1320

They recognize as I do that this is an imperfect bill and that probably those who are promoting the bill as long-term panacea will find that that is not so and that unfortunately we will be revisiting it again. They also share with me a great concern that we adopt something like—and today it is the only vehicle—the Pickle amendment, which would provide for the increas-

ing of the retirement age for the younger generation rather than the increasing of taxes which I can assure you both the young and older generations of central Florida definitely are opposed to. It is with this in mind that I come to debate very briefly today the merits of this bill, not happy with the bill but happy that we are addressing it in the kind of climate here and recognizing that it will be the only package to restore solvency to social security that we will have before us for consideration with any chance of passing in the near term and that with the long-term in mind we have the opportunity to adopt the Pickle amendment for a long-term solution.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the distinguished gentleman from New York (Mr. ADDABBO).

(Mr. ADDABBO asked and was given permission to revise and extend his remarks.)

Mr. ADDABBO. Mr. Chairman, I rise in opposition to this bill and I urge the Members to reject it and send it back to the Ways and Means Committee with the message that the Members will not be railroaded into bad legislation. The faults of this bill are so many and so complex that I need not dwell on them greatly. My colleagues have been discussing them in great detail and it is obvious from the answers we have received from the committee that there is no one in this body who is totally certain of the extent of the harm that we will do here today by passage of this measure.

We have heard over and over again that we are in a crisis situation and that we must pass this bill or the entire social security system will come tumbling down. You know and I know that that is as far from the truth as we can get. The answer is very simple. If we reject this bill today and send it back to Ways and Means all that the members of that committee have to do is to pass out another bill calling for full funding of the Social Security Administration spending needs by the simple ratio of one-third wage earner participation, one-third trust fund system participation and one-third funding from the general fund.

I will say this to all of the Members: If we care enough about these programs to continue them on, then we ought to provide the financing for them and put it in our budget each and every year, rather than trying to hide these expenses by paying them out of a trust fund which was not designed for this. To take a healthy retirement system, such as the civil service retirement system, and deliberately kill it off so that you may use the money as a prop against deficiencies in social security income is as unfair as it is dumb. We are going to wind up with huge numbers of new social security recipients who otherwise would not have been part of the system and we are simply leaving it to future generations to pay for the mess we are creat-

ing. Even worse, we are doing this not for a final solution to this nagging problem, but for a short-term infusion of cash which a few years from now will run out and leave the problem still in place. Who do we go after the next time?

Like all of the Members I have followed this question as carefully as possible because I have spent a lifetime it seems in this body and I have never yet failed to support the social security system when it needed my vote.

I believe I am acting for the best interests of the social security system and its recipients in opposing this bill today. This bill was devised behind closed doors in cooperation with an administration that has not yet shown any real concern for the elderly, the poor, and the disadvantaged of this country, and it is being ramrodded through this House as fast as possible because the sponsors know that if the Members ever get a chance to think about it, they could not support what is in this bill.

This bill is bad for America because it is the wrong answer to the needs of the social security system and the people it serves. It is full of little gimmicks that no one has had a chance to talk about because of the overriding concerns of how we pay for our social security needs. Has anyone to your knowledge talked about what it means to allow the Treasury Department to credit trust funds at the beginning of each month for the amount of payroll taxes estimated to be received during the month? It is not a bad boon for the bankers with whom the funds will be invested, but we have learned the hard way in this body not to let Federal agencies deal with financial estimates. Funny things happen when agencies estimate income and get credit for it.

We are creating a financial body count that will be as misleading as those infamous reports we used to get from South Vietnam where each month we won the war but never made any progress.

This bill quietly notes that the trustees are authorized to offer new remedial plans when the trust fund becomes unduly small. It is interesting that a bill that purports to offer a final solution to this nagging financial problem, would quietly put in place the apparatus for the next crisis. The bill also puts in place, again I have heard no real discussion about this, a small bit called interfund borrowing, a latent can of worms if ever one existed.

We know, of course, what harm we are doing with this bill to Federal employees and Postal Service workers and to people who work for nonprofit organizations or States and local governments and owners of small businesses. Is there anyone left, I wonder? But do we fully realize what else we do to those who earn the money and pay the taxes that support our excesses.

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In 1976 at the end of the session the Ways and Means Committee brought to the floor under a closed rule a bill which was said to be the ultimate solution to the problems of financing social security. Like this bill today, that bill in 1976 was pushed through—ramrodded through—this House because of the impending crisis.

Failure to pass this bill, we were told, would result in the immediate crumbling of the social security system. We were urged by the White House and the House leadership to pass that bill despite our reservations with it because any inequities that might be found within it could be corrected after the bill was put in place.

It was not until early in the following year that Members of the House realized the extent of their folly. We had passed a bill that greatly increased payroll taxes across this land for social security, but we had also not solved the problem. And so we are back here today being told once more that we must act blindly now with full faith in the pledge of the White House and the Ways and Means Committee that passage of this bill will solve our problems.

We are told to put aside our reservations about the harm we do to others in our haste to solve this problem and we are told that passage of this bill which we may not change will solve the financing problems of the social security system once and for all.

I was wrong in 1976 when I supported my White House and the House leadership and voted for that social security bill. I thought I was acting to help social security, but all I was doing was following the blind leading the blind. I have that sense that the same thing is happening today and it is something I cannot abide. I urge the House membership not to accept what we are offered either.

I said earlier today that I bow to no person in this body over the last two decades of service in my support of the senior citizens of this country. I believe that passage of this bill today is a disservice to them as well as to the millions of Americans whose personal retirement systems will be bankrupted by this bill. Passage of this bill today will ultimately result in the bankruptcy of the social security system as we know it and it is my prediction that the Congress within no more than 5 to 10 years will be called upon again to take still another remedial action to save the social security system. I would hope that by refusing to swallow this bill whole today, we might create the atmosphere for taking the time to find a proper solution to our financing problems for social security. I think it is an important enough issue to devote more than 4 hours of general debate to a bill that affects all Americans well into the next century.

I see no reason why the Members of this body cannot have the right to offer amendments they believe are pertinent to this measure. I refuse to

accept again the concept that only the Ways and Means Committee has the experience and intelligence to write this bill. Indeed, following our experiences of the past with remedies for the social security system, we stand a far better chance of helping our senior citizens and the other recipients of social security by rejecting this bill out of hand.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Rhode Island (Mr. ST GERMAIN).

(Mr. ST GERMAIN asked and was given permission to revise and extend his remarks.)

Mr. ST GERMAIN. I believe that the social security compromise reported by the Ways and Means Committee is a generally fair and effective package, that will solve most of the problems plaguing the social security system. However, a few elements of this package should be reconsidered on the floor, since they cast a pall of unfairness over the whole compromise.

The first, the harshest, problem with this package is the 6-month delay in cost-of-living adjustments that would push back the necessary inflation adjustments for our senior citizens to January 1984. We have heard much about the plunging inflation rate during the last year but even a 4-percent increase in prices means a 4-percent decrease in purchasing power for the elderly.

Perhaps a 4-percent pay cut would not be important to anyone in this Chamber, but it could be a matter of life and death to senior citizens who already eke out a bare existence, caught between skyrocketing medical bills, steadily mounting fuel bills, and rising food prices. One third of our over-65 population are women who are living alone. These women must make do with an average annual income of \$6,000, and I think we all know that the bare necessities of life eat up most of that \$6,000. A 4-percent pay cut due to inflation means \$240 less to spend, and a harsher life for our senior citizens.

Elderly women living alone are not the only ones who will suffer from this cut. Nearly one-fourth of all people over 65 count on social security as their sole source of income, and a full 65 percent say social security is their predominant source of income. These people will all be badly hurt by a penny-pinching attempt to squeeze a few more cents from the least-well-off citizens in our country.

We are told that these COLA delays are done to spare those currently working from further increases in their social security taxes, yet when we look at the most recent public opinion polls, the COLA delay is opposed by a far greater percentage of people aged 18 to 29 than of people aged 65 and over. Forty-seven percent of the senior citizens oppose this COLA delay. The elderly, as always,

stand ready to make necessary sacrifices to promote our economic health and the safety of the social security system. But we should not ask for sacrifices by the less well off, when the privileged and healthy can be asked to bear their fair share.

So, I will oppose the COLA delay in the compromise, and support the amendment to be offered by Congressman PEPPER that would institute an employer/employee tax rate increase of 0.53 percent in the year 2010. A tax increase of one-half of 1 percent, nearly 30 years from now for people still at their prime earning power, is much more fair than an income cut of 4 percent this year for people who depend upon the little income they get from social security to survive.

I will also oppose the so-called bend points shift that would have the effect of reducing the initial benefit levels for every worker aged 42 and under, and will cut the benefits of those workers 37 years old or younger by at least 5 percent. While tax rates are increasing for current workers, we would be taking benefits from them through the back door, if this shift became law.

A third area of great concern is the inclusion of new Federal employees in social security. It is imperative that we recognize our commitment to current Federal employees and the soundness of their retirement system. Members of this body have been deluged with calls, letters, and visits from justifiably worried Federal employees. They want and deserve tangible assurances that their retirement system will be preserved. Immediate action must be taken to address the issue of the future of the civil service retirement system in the event that new Federal employees are brought into social security. We must give them more than promises. We must demonstrate that, when they are ready to retire, the funds will be available to provide the benefits they have been told they would receive.

I hope to support this social security package in final passage, but without reconsideration of the COLA delay provisions, the bend-point changes, and the plight of Federal employees, the pall of unfairness still hangs heavily over the compromise.

Mr. CONABLE. Mr. Chairman, I yield 2 minutes to the gentleman from Virginia (Mr. BLILEY).

(Mr. BLILEY asked and was given permission to revise and extend his remarks.)

Mr. BLILEY. I thank the gentleman from New York for yielding.

Mr. Chairman, while I have several concerns with the legislation now before the House, my 2 years as a Member of Congress have shown me that rarely, if ever, can the necessary compromises which must be made in this body satisfy every Member. At the risk of repeating what several other Members have said before me, this is not the package I personally would

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have written. To me, it relies too heavily on the mandatory generosity of working Americans without making the structural changes necessary to guarantee the long-term survival of the social security system.

But I do realize that this is the best package that will see the light of day in this Congress, and that we cannot afford to run the risk of harming social security recipients through our inability to move this legislation.

The package that the Commission submitted to the House Ways and Means Committee does not solve all the system's problems; indeed, I believe that we will find it necessary to solve other of the system's problems as they become more evident in the future. But the package that the Ways and Means Committee reported to us insures that the system will be funded and kept solvent for those who rely on it. For 2 years now, our President, the Congress, and the Social Security Administration have told us that the system could not stay afloat much longer. I think that we have come to the point where any further delays would seriously jeopardize benefits to the millions of Americans who we, in Congress, have promised to pay. Though I did not make those contracts, I nonetheless feel bound by them.

We may find it necessary later to address the long-term funding problems in a more concrete way; we all should see that the package before us will accomplish the necessary: It will assure the millions of Americans who receive benefits that the long 2 years of partisan posturing on this issue are over, and that their benefits will not be curtailed. We owe them that much, and I think it is about time we delivered.

Mr. CONABLE. Mr. Chairman, I yield 2 minutes to the gentleman from Texas (Mr. FIELDS).

(Mr. FIELDS asked and was given permission to revise and extend his remarks.)

Mr. FIELDS. Mr. Chairman, without being overly dramatic, we, in this Chamber, today must recognize that we begin this historic debate with the future of the social security system hanging in the balance.

It is our responsibility and our duty to restore the financial health of the social security system. If we fail to act, social security will become a broken contract between the Federal Government and the 36 million current social security recipients, and will become a relic, a lost dream, for the more than 110 million Americans who will be entitled benefits sometime in the future.

While the goals of the social security system have changed dramatically since 1935, the fact remains that social security today is the primary retirement system for more than 90 percent of our population and it is the means by which the 36 million current recipients survive.

What Franklin Roosevelt said on August 14, 1935, is as true today as

when he signed the original Social Security Act:

We can never insure 100 percent of the population against 100 percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age.

Mr. Chairman, we are all aware that H.R. 1900 is the product of a long and highly charged public debate. For too long, social security has been used and abused by one party or another for political gain. Social security is not a Republican issue; it is not a Democratic issue; it is an American issue, and I am pleased we have finally put aside partisan politics, that we have finally eliminated the demagoguery of the last campaign and that we have finally arrived at this bipartisan solution to insure the survival of the social security system.

Mr. Chairman, I have studied the intricacies of the social security system carefully and have provided the residents of the Eighth Congressional District of Texas with various opportunities to present their views on this critical issue. In addition, to more than 100 town meetings, I conducted a total of four social security hearings in the Houston area in January of 1982 and in February of this year.

In fact, my congressional district is the only district in the United States whose residents had opportunities to give their suggestions firsthand to Dr. Robert Myers who, shortly after his visit, was named Executive Director of the President's National Commission on Social Security Reform. As my colleagues well know, Bob Myers is one of the foremost experts on social security and in fact, has worked for the social security system in various capacities since its creation in 1935. I believe a great deal of credit must go to Bob Myers for the National Commission's success in reaching a bipartisan agreement to save the social security system, an agreement which served as the basis of this legislation.

Mr. Chairman, I have made my decision to support this legislation only after close scrutiny of its individual provisions and their effects on each segment of our population. I am sure there are many Members, like me, who personally find some provisions in this package objectionable, provisions we would not normally support.

I myself, am particularly troubled at several provisions including the 6-month delay on payment of the annual cost-of-living adjustment, the increased taxes on self-employed persons, the acceleration of certain payroll taxes, and the taxation of social security benefits for individuals or couples earning more than \$25,000/\$32,000 a year.

At the same time, I am pleased this package has incorporated certain changes I have supported for the last several years. These changes include: Increased tax benefits for those

Americans who desire to work beyond age 65, ongoing benefits for disabled or widowed spouses who remarry, continued interfund borrowing, the establishment of a realistic process to deal with uncashed social security checks and the removal of social security in 1988 from the Federal Budget.

In addition I am disappointed that the package does not eliminate the earnings limitation on people over the age of 65. This provision prevents some of our most productive and experienced citizens from contributing to our system and in the workplace.

Unfortunately, we do not have the luxury to support only our own favorite provisions. We must act now responsibly on this package of amendments. Even with its shortcomings, this legislation will insure that social security has enough money now and in the years ahead for the millions of Americans entitled to receive social security benefits.

Mr. Chairman, at this time, I would like to briefly say a few words to our postal workers and other Federal employees. While I know you honestly believe the inclusion of new postal workers and Federal employees will be detrimental to your own retirement system, I want you to know that neither this Congress, nor any future Congress, will allow your retirement system to become insolvent. I believe the Federal Government has made a contract with you, and I will do everything I can now and in the future to insure that your retirement system is sound and that you will receive your due benefits upon your retirement.

Mr. Chairman, let us hope and pray that by passing this legislation today, we have, together, saved the social security system from financial calamity, and have insured that no retired American, now and in the future, will have to worry about whether he or she will receive the social security check he or she is due.

As Abraham Lincoln once said, "If there ever could be a proper time for mere catch arguments, the time surely is not now. In times like these, men should utter nothing for which they would not willingly be responsible through time and in eternity."

Mr. Chairman, let us now put aside our political differences and for the good of our great Nation and for the good of retired Americans who have worked their lives to make our country great vote to approve H.R. 1900, the Social Security System Amendments of 1983.

Mr. CONABLE. Mr. Chairman, how much time remains?

The CHAIRMAN. The gentleman from New York (Mr. CONABLE) has 30 minutes remaining and the gentleman from Illinois (Mr. ROSTENKOWSKI) has 37 minutes remaining.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 5 minutes to the gentleman from California (Mr. MATSUI).

Mr. MATSUI. I thank the chairman.

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First of all I would like to, along with others who spoke before me, commend Mr. PICKLE, the chairman of the Subcommittee on Social Security for the very fine job he and others have done to bring this bill to the floor of the House. In January of this year, if we would have thought this bill would reach the floor in the second week in March, people would have thought we were crazy.

It is through his leadership that we have this bill on the floor at this time.

I would like to enter into a colloquy with the chairman of the committee. The D.C. employees indicated to me there is some ambiguity as to whether or not they are under social security under the terms of the committee report. Would the chairman advise me whether the D.C. employees will be covered by social security?

Mr. ROSTENKOWSKI. No D.C. employees are affected by the coverage provisions of this bill. They are not considered Federal employees for this purpose. So the employees of the District are not at all affected.

Mr. MATSUI. I thank the chairman. Speaking of Federal employees, Mr. Chairman, I would just like to add one thing: If the bill had been divided up so that amendments were to be offered, I would guarantee you that there would not be a bill passing the floor of the House of Representatives this afternoon because you can eliminate Federal employees, we can eliminate the 6 months' delay in the cost of living, we could eliminate the increase in the various taxes that will be imposed, and we could end up without a bill. Now, let me address the Federal employee issue, if I may.

I have a number of Federal employees in my district, some 20,000, and I might say that over the last 4 years I have been one of the staunch supporters of Federal employee issues, probably close to 100 percent in my voting record, of those issues of concern to them. I would like to set forth some facts, if I may, that we gathered from the deliberations of the committee when we had our hearings.

First of all, with respect to the civil service retirement system, those 40 different systems within the trust fund, our actuaries have said there is \$560 billion of unfunded liabilities in that system. So that system is not, at this time, a sound system, but in fact it will need an infusion of Federal dollars in addition to what is being put in now in the years to come.

In addition to that, with respect to the supplemental system that will be set up, I know that many of the Federal employees in my district were unaware of the fact that Mr. ROSTENKOWSKI, Chairman Ford and the Speaker, have sent a letter to all Democratic Members stating that they will maintain and protect the integrity of the current Federal employees retirement system.

□ 1330

And when that letter is delivered to my constituents most of their fears are alleviated and their concerns that their system is in fact in jeopardy is somewhat reduced.

And let me conclude by setting forth some facts that the committee used in putting new Federal employees under social security.

First of all, 50 percent of the Federal employees that go into the work force do not—I say do not—receive any civil service retirement benefits. And those are usually the lower income employees. They are the ones who eventually go into private industry, and they are the ones who lose the period of time that they have been in Federal service and do not accumulate any social security credits.

In addition, there is the portability factor with respect to social security. If a person is in the Federal retirement system today and he wants to leave, then he does not accumulate benefits under the civil service system.

And third, and perhaps most importantly, those Federal employees who will be under social security will receive disability benefits and death benefits.

I think the Federal employees, instead of fighting this issue, which is really a nonissue for those Federal employees frankly who are currently in the work force since they will not be covered by social security, they should be fighting the wage freeze that the administration is proposing. They should be fighting the restructuring of their retirement system.

So I think the Federal employees really should begin to divert their attention to the budget issues which will be coming up in the next few months.

And in conclusion, Mr. Chairman, I would only like to say that frankly the groups that have been most helpful in this effort have been the senior citizen groups. I suppose that is partly because the gentleman from Florida, Mr. CLAUDE PEPPER, has been their leader in this effort.

When I went back home and talked to some of them and I advised them of the 6-month delay in their cost-of-living benefits, most of them were courageous enough to say if all of us sacrifice, then they are willing to sacrifice too.

So I urge that all Members vote for this bill.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as she may consume to the gentleman from Maryland (Ms. MIKULSKI).

(Ms. MIKULSKI asked and was given permission to revise and extend her remarks.)

Ms. MIKULSKI. Mr. Chairman, we are facing a difficult and important decision today. Our Nation's retirement system is in trouble and Congress has a responsibility to find an equitable and responsible solution to the financial problems facing the system.

I have the utmost respect and regard for the bipartisan commission that worked so diligently to make recommendations. I also respect the Ways and Means Committee for their efforts to adapt these recommendations into legislation for consideration by the full House.

I am deeply concerned about particular aspects of this package and I am reflecting the concerns I have heard from my constituents.

First, the delay in the cost-of-living adjustment will place an unfair and heavy burden on our Nation's elderly, especially those at the lower end of the benefit spectrum.

Second, I think there is a myth about Federal employees getting some kind of free ride. I think many people in this country are unaware of the significant contribution Federal employees have made to this country. They have been under assault for too long. It is unforgivable that Federal employees continue to be the scapegoat for our Nation's budget problems. They have made significant contributions to their retirement system and are now being asked to sit by passively and accept a major change in that system with no guarantee that it will be there when they need it.

I think this is outrageous. It is unfair to current employees, and places an unbearable financial burden on new employees. We risk losing the best employees we have, and being unable to recruit talented newcomers.

Third, I think more serious attention should have been paid to the use of general revenues in specific and limited circumstances. For instance, there could be trigger mechanism such as a certain unemployment level, which would cause general revenues to kick in, and then kick back out when the unemployment level went back down.

Finally, we must continue to be conscious of the burden that any more increase in payroll taxes will place on the self-employed and on business, small business in particular.

I am going to vote for this legislation despite my misgivings for one reason: I cannot and will not play chicken with the checks that many of our senior citizens depend on for their food and shelter.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 4 minutes to the gentleman from Ohio (Mr. PEASE).

(Mr. PEASE asked and was given permission to revise and extend his remarks.)

Mr. PEASE. Mr. Chairman, I would like to begin my comments with commendations for the chairman of our committee, the gentleman from Illinois (Mr. ROSTENKOWSKI) and for the chairman of the subcommittee, the gentleman from Texas (Mr. PICKLE).

It is clear to me what without their expertise and their dedication and their political skill this bill would not be on the floor today in as good a shape as it is in.

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I also want to express appreciation to the members of the National Commission on Social Security for the thankless task that they took on last year in trying to construct a response to the difficult social security income and pay-out situation. They said when they were finished that none of them would have drafted exactly the plan that they finally agreed on. And I feel the same way.

In particular, if I were doing it, I would want to make sure that new Federal employees were protected with their own supplemental Federal pension system before this provision takes effect.

On another subject, Mr. Chairman, I am particularly pleased that the committee approved an amendment which I offered in cooperation with the gentleman from Michigan (Mr. TRAXLER) that makes it clear to the Department of Labor that any benefits under the Federal supplemental compensation portions of the bill are not to be reduced by any trade adjustment assistance allowances which individuals have received. Unfortunately, the Department of Labor has interpreted the intent of Congress to mean that persons who have received TRA benefits in the past were essentially employed and consequently qualify for less or even no extended benefits.

The amendment which we adopted takes care of that.

The Federal supplemental compensation program itself, due to expire on March 31, is extended until September 30. For workers who will have exhausted their benefits before April 1, the bill allows additional benefits up to a maximum of 10 weeks in the States with the highest unemployment. These so-called reach-back benefits will go a long way to alleviate the suffering of long-term unemployed workers who need it the most.

Mr. Chairman, the Social Security Amendments of 1983 is a tough but crucial package that is essential to improve the health of social security. It is clear to me now that this bill must pass today if social security is to be secure.

I urge the passage of the bill.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Florida (Mr. SMITH).

Mr. SMITH of Florida. Mr. Chairman, I rise to support H.R. 1900, but I do so reluctantly.

When I testified before the Social Security Subcommittee on February 4, I asked that it look at what the proposed reform package might do to those who have retired already or who are close to retirement. I especially wanted the subcommittee to consider the potential impact of other proposals, mostly in the fiscal year 1984 budget, that would affect older Americans. In particular, I asked that a social security reform bill be equitable.

Is H.R. 1900 better than the recommendations of the National Commis-

sion? Yes, some improvements have been made.

The National Commission's recommendation for the taxation of certain benefits has been improved. I told the subcommittee that initiating even a limited taxation of benefits would be asking the people to accept a change in the rules late in the game, a game that for many social security recipients is in the bottom of the ninth inning. In addition, as a member of the Social Security Task Force of the New Members' Caucus, I supported a change in the so-called notch effect, a quirk that would have required some people whose benefits would not be affected by the tax to realize greater total income than the person just over the income threshold.

The bill before us is better than the original compromise from the National Commission. First of all, the income levels above which benefits might be taxed has been increased—from \$20,000 to \$25,000 for a single person and from \$25,000 to \$32,000 for couples. In addition, by applying the tax to the amount by which income exceeds the base amount, the notch effect is eliminated.

Another matter that I raised with the Social Security Subcommittee was the cumulative impact of social security reform plus decreases in other programs and/or increases in cost to the elderly. I believe that the new prospective payment section could help reduce medicare costs and the resulting strain on the medicare portion of the system. More importantly, this improvement is being done without having to increase the copayment for the individual medicare beneficiary. In this way, the cumulative impact on the social security recipient will not be as great as it would probably have been.

It seems, Mr. Chairman, that enough Members expressed the concerns of their constituents, and the subcommittee and full committee heeded them. We were able to obtain some changes in the basic bill.

Without question, the COLA delay will impact many social security recipients. Yet, the bill does not affect their basic benefits. On balance, they are being asked to accept a delay of 6 months in their COLA's for the preservation of the underlying social security program, at a time when the COLA will be the smallest in years.

I certainly understand the position being taken by active and retired Federal workers and their anxiety about the future of civil service retirement. We cannot vote separately on the Federal workers provision of H.R. 1900. But, I want to state emphatically that I shall oppose administration efforts to reduce compensation and benefits or increase the retirement age for Federal employees and shall support the establishment of a civil service retirement benefit for those Federal workers who will be covered under social security.

H.R. 1900 is better than the original recommendations of the National Commission. The opponents of the bill have advanced no real alternative, insofar as I have been able to judge. The final analysis, the bottom line, Mr. Chairman, is this—if the House refuses to pass H.R. 1900, we may well jeopardize the entire social security system in a matter of months. We cannot permit this to happen.

Social security is more than a program to help older Americans in their retirement years. It has become the symbol of the commitment of Americans to promote the general welfare. The small sacrifices that each of us, including Members of Congress, will be making if this bill is passed will help insure that the social contract remains strong and effective, and the future for retired Americans and future retirees remains bright.

I, therefore, intend to support H.R. 1900.

Mr. CONABLE. Mr. Chairman, I yield 2 minutes to the distinguished chairman of the Republican policy committee, my friend, the gentleman from Wyoming (Mr. CHENEY).

(Mr. CHENEY asked and was given permission to revise and extend his remarks.)

Mr. CHENEY. Mr. Chairman, I rise today in support of H.R. 1900, a bill which will take the first steps toward the goal we all seek—to make social security secure again.

I rise in support of H.R. 1900 not because this is perfect legislation, but because it will allow us to take the first steps back from the brink that the actions of past Congresses have led us to. If we are to avoid falling over that brink, and avoid witnessing the social security system tumble into total fiscal collapse within the immediate future, we must take this first faltering step, and write H.R. 1900 into law.

We faced that prospect of the financial insolvency of our Nation's retirement system just months ago, and were able to avoid it by taking emergency, stopgap measures, that kept millions of benefit checks written to this Nation's retirees from being returned from our banks stamped—"Non-Sufficient Funds."

Mr. Chairman, there is no tomorrow. We were able to temporarily postpone that impending crisis a few short months ago, but in the next few days and weeks we must face the problems of social security head on and move to bring this crisis under control.

Mr. Chairman, I said earlier that H.R. 1900 is not perfect, but it is the only bill we have before us, and it is the only legislation facing us that provides an avenue through which the problems of the social security system as they have developed during the last 47 years can be corrected. Those problems—including the expansion of the number of people eligible for social security benefit payments, expansion of the types of coverage of the system,

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and the building into the benefits programs of guaranteed payment increases—have all combined to leave us facing a certain financial shortfall of between \$150 billion and \$200 billion between 1983 and 1989.

Only by taking the minimal steps called for in H.R. 1900 can we hope to have a chance of hurdling that gap. We must expand the numbers of workers paying into the social security system, find a way to slow the guaranteed growth of benefits to realistic levels, control costs in special programs of the system, broaden the tax base on which the financial security of the system depends, and change our concept of retirement and coverage of the system.

The basic actions needed are all provided in H.R. 1900. That final step, raising the age of retirement to slow the growth in the future of the population moving into the benefits system, is provided for by the Pickle amendment in such a way that it will have no harmful impact on any American looking forward to starting to receive benefits before the turn of the century, a virtually pain free change, so to speak. Yet it is a change that is absolutely mandatory if we are to move the underlying concept of social security out of the philosophies of the early years of this century. Then the end of an American's working years and life span were both expected by age 65. It moves us forward to the present—and the start of the 21st century. It recognizes the vast changes that have taken place in the nature of American society and life. It prepares us, the social security system, and all Americans looking forward to eventual retirement, to a realistic, and secure, future.

Mr. Chairman, the House Republican policy committee, of which I am chairman, has considered both H.R. 1900 and the Pickle amendment, and has supported both in an official House Republican policy statement, as follows:

STATEMENT NO. 1, MARCH 8, 1983

House Republicans are dedicated to preserving and protecting the Social Security system as the bulwark which protects all Americans during their retirement years.

It must be noted, however, that past attempts to correct problems in the Social Security program have been unsuccessful because they have been "quick-fix" remedies, and not the long-term, permanent changes needed to rebuild the system's fundamental flaws. One of the basic problems is rooted in the scope of coverage which has changed with the passage of time since the origin of the system. The Pickle Amendment to gradually raise the age of retirement under the Social Security system partially addresses this problem. Therefore, while the bill before us is not perfect, the House Republican Policy Committee nevertheless joins with President Reagan in urging House Republicans to support H.R. 1900 with the Pickle Amendment to preserve and protect America's Social Security system.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 3 minutes to the gentle-

man from North Dakota (Mr. DORGAN).

□ 1340

Mr. DORGAN. Mr. Chairman, I would like to rise in support of this bill.

The social security compromise is just that, a compromise, but a reasonable one and the right thing, in my opinion. All of us in Congress have been to meetings in our districts and we have talked to retired people. I recall one woman in particular who was crying as she said to me, "Please, Mr. Dorgan, please don't let them cut my social security check. I get \$214 a month and it is the only money I have."

We have all talked to folks like that and the fact is people are frightened in this country that we are going to cut basic social security benefits. For many of them it is the only money they have to live on.

This bill is a compromise bill that helps repair the social security system without cutting basic benefits for American retired people and that is an important thing for everyone to understand.

More important than that, it is the right thing to do. Everybody who has spoken today has said, "Well, there are parts of this bill that I don't like, or don't agree with." There are parts of it that I am not crazy about, either; but it is a compromise and it does make sense and it is the right thing to do and it has good bipartisan support. I think that is pretty terrific.

There was an old fellow once in his eighties who was asked by a reporter, "Well, you have seen a lot of changes in your life at age 80, haven't you?"

And he said, "Yes, and I have been against all of them."

There are a lot of folks that way who are against everything all the way along the line.

The easiest thing in the world is to be against everything. We know folks in this Chamber who vote no on everything. It does not matter what the merits are, they vote no. It is the safest and easiest thing in the world to do; but the fact is that a whole lot of us in this Chamber on both sides of the political aisle have a responsibility and that is to make sure that the social security promise is a promise this country keeps.

The social security program in my opinion is a crowning achievement in this country. In the 1950's over 30 percent of the elderly in this country were living at or below the poverty line. Today that is nearly cut in half.

Social security is a good program. It is a program worth fighting for. The solution that we have come up with is not perfect, but it is not bad, either. It is a solution that gives a promise to senior citizens that we care about this program and that we are going to do the things necessary to make sure this program is financially sound and solvent throughout our country's future.

One final point. In this bill, I was able to attach an amendment that takes the social security system out of the unified Federal budget. I think it ought to be a separate trust fund once again as it was prior to 1969. It ought to be made solvent by itself. Let us not tempt people to use the social security system to fund other ideas or other programs here in the U.S. Congress.

Let us once again restore social security to a separate trust fund status outside the unified Federal budget. That is now in this legislation as a result of an amendment that I proposed in the Ways and Means Committee and I think it is another mark of distinction for a compromise that I intend to support.

So I urge other Members of Congress to support this very important legislation and I congratulate all Members on both sides of the aisle for the work they have done on this issue.

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to the distinguished Member from Connecticut (Mrs. JOHNSON).

(Mrs. JOHNSON asked and was given permission to revise and extend her remarks.)

Mrs. JOHNSON. Mr. Chairman, I rise today in support of H.R. 1900, the Social Security Act Amendments of 1983.

No one in this Chamber will be unaffected by the actions we will take today in considering this far-reaching and comprehensive legislation, designed to save our Nation's most important program—the social security system—from bankruptcy. The decisions we must make today are not easy for any of us nor the consequences of those decisions easy for those we represent to bear, but they are necessary decisions if this great Nation is to fulfill what I believe is one of our most important responsibilities, the responsibility to assure our senior citizens, our parents and grandparents, ourselves, and our children, a secure and dignified retirement.

I commend the President's National Commission on Social Security Reform for its comprehensive report, without whose guidelines and recommendations this debate would have been impossible. Were it not for the foresightedness of President Reagan in recognizing the enormity of the problems which threaten a program of profound importance to the people of this Nation and his prompt action in appointing a bipartisan Commission, there would continue to be doubts as to whether our democratic form of government, and the leaders of this country, had the courage to solve extremely difficult problems that require a sharing of burden.

The distinguished gentleman from New York, Mr. CONABLE, deserves our special thanks for his leadership, both as a member of the Commission, and on the House Ways and Means Committee. The dedication and commit-

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ment he and Chairman Rostenkowski have displayed are examples for all of us here today.

I believe we owe it to our constituents to rationally and clearly explain why we must act immediately. Very simply, the social security OASDI fund faces shortfalls of between \$150 billion and \$200 billion over the next 7 years. In addition, Americans are enjoying the benefits of great advances in medicine and living many years longer than in decades past. The ratio of workers supporting retirees is 3 to 1 and is expected to fall to 2 to 1 in the next decade. Fewer workers means the collection of fewer dollars in payroll taxes to support the growing numbers of retirees who are enjoying longer and healthier retirements.

Unfortunately, the many changes enacted by Congress since 1937, when payroll taxes were first collected, did not result in a sound social security system capable of assuring current and future retirees the income support they deserve and we, as a Nation, are capable of providing. Failure to enact further reforms means the social security system will be unable to pay its bills beyond July of this year.

While the Congress was unable to come to any agreement on a legislative package during the last session, the Commission was able to provide the kind of expert and bipartisan forum so necessary to a fair and sound solution to one of the most difficult problems to be addressed by the Congress. While I do not favor all the recommendations of the Commission, I commend the effort to share equitably and balance the burden of the reforms between beneficiaries and members of our Nation's work force.

I want to call attention to one important feature of the package that would allow better management of the social security funds. Legislation which I have cosponsored is included in the bill to provide for a one-time, retroactive lump-sum payment to the funds from the general fund, equal to the amount of past uncashed checks, and a procedure to credit the trust fund on a regular basis with the value of benefit checks not cashed within 6 months of issue.

H.R. 1900, for the first time, recognizes specific problems encountered by women. Although the reforms are modest, they will go a long way to improve the situation for widowed, disabled, and divorced women. The bill removes gender-based distinctions, and includes provisions: To continue benefits for a surviving divorced or disabled spouse who remarries, to increase benefits for disabled widows and widowers and for widows whose husbands died before the widow became eligible for benefits, and to allow divorced spouses to draw spouse's benefits at age 62 whether or not the former spouse has retired.

In addition, I am pleased H.R. 1900 improved the Commission package by increasing the amount of income el-

derly individuals and couples receive tax-free, and addressed the notch problem by phasing in the amount of income to be considered taxable.

Although I have grave reservations about the proposal to increase the tax on self-employed individuals, I believe the committee improved the bill by providing self-employed individuals a tax credit to in part, offset the increased payroll taxes.

I am also pleased the committee members included in the legislation a 6-month extension of the Federal emergency jobless benefit program from April 1, 1983, through September 30, 1983. An important addition is a voluntary program whereby States may deduct an amount for health insurance from the unemployment benefits otherwise payable to an individual if he or she so chooses.

Nevertheless, I believe the Congress should act to provide the absolute assurance that all the pension rights of current workers are protected and that we stand firmly behind the provision of all promised benefits and the enactment of a supplemental pension plan that, in combination with social security, will provide new Federal employees retirement benefits comparable to those of current public employees. I believe we would be doing our hardworking civil servants a disservice were we not to design a plan that, when combined with social security, will supply at least as good protection and benefits as the present retirement system provides.

Finally, I have strong reservations with regard to the 6-month delay in the COLA. It will mean a small, but significant loss of income to many who can ill afford it. I would urge the Social Security Administration to notify all beneficiaries of their possible eligibility for SSI and for the protection from the COLA delay provision in this package. If the low-income elderly are protected, as intended, a portion of the hardship this package imposes will be alleviated. I ask the Social Security Administration to provide the outreach to assure this protection.

Finally, Mr. Speaker, I would like to share the views of two of my constituents about the urgency of the situation before us. One writes,

As one social security beneficiary, I know that unless I am willing to help my Government get onto a sound fiscal track, I and those who come after me may lose not only all benefits, but could lose the Government. It is clear to me that if we all don't work together, enduring together certain hardships and sacrifices to protect the Government and its integrity, we may indeed lose it:

And in the words of another:

But do something so that my wife and I can properly plan for the future. We have both put our money into the system along with our employers for the past 40 years, and we are very concerned about our investment.

I believe the action we are taking today will reassure these individuals and indeed all Americans that by en-

acting fair and balanced, though tough reforms, we have protected their investment and their future.

Mr. Speaker, I hope my colleagues will join me in supporting passage of H.R. 1900.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. ROYBAL).

Mr. ROYBAL. Mr. Chairman, two-thirds of older Americans depend on social security as their main source of income. It is virtually the only source of income for over 6 million older Americans. Failure to pass legislation to address the short-term funding problems of social security would in my opinion be an unforgivable abdication of our responsibilities to all the 36 million retired, disabled, and widowed beneficiaries.

I do not know of anyone that supports every component of the short-term financing proposals. I have myself reservations about several provision. Certainly any delay in the COLA will be a hardship for millions of social security beneficiaries—a hardship that we all wish we could avoid. I also think that we should be giving more concrete assurances to current Federal workers that their full retirement benefits will be protected and they will be in future legislation. I am also uncomfortable with the provisions to tax benefits and am disappointed that the tax credits for workers and self-employed persons were not expanded. But this compromise is the only thing before us; we do not have any options to improve the short-term package. Our choice is an up-or-down vote, and I will vote to keep the checks going—as we have promised. Passing this legislation may be the best chance we have of keeping our promises.

Mr. Chairman, although we have no choice in regard to the short-term proposals, we do have a choice about how to deal with social security's long-term funding issues. My committee, the Select Committee on Aging, held a hearing yesterday on the choices before us.

We heard from colleagues from both sides of the aisle, we heard from representatives of minorities, women, young people, and older Americans. And most importantly, we heard from current workers who will be affected by any change beginning at the turn of the century.

In my opinion, the testimony clearly demonstrates that the amendment offered by the distinguished gentleman from Florida (Mr. PEPPER) is the only vehicle we have before us which can signal to the American people that we mean it when we say we do not want to cut benefits. Our only alternatives are to accept the committee bill which reduces future benefit rates by more than 5 percent, or an amendment by the gentleman from Texas which cuts benefits by raising the age for full retirement. Only Mr. PEPPER's alterna-

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tive preserves important benefit guarantees of current law which the other alternatives violate. Only Mr. PEPPER's alternative allows us to say we have kept our promises to current workers.

Mr. Chairman, the personal histories of two of our witnesses, Mrs. Maxine Witherspoon and Mr. Joseph Kendall, should give any Member reason enough to vote for the Pepper alternative.

At age 45, Mrs. Witherspoon has spent the last 18 years as a seamstress and a member of the International Ladies Garment Workers Union (ILGWU). She will reach age 62 in the year 2000 and, under the Pickle amendment, will be one of the first persons to have to choose between further reduced benefits or a delay in retirement. Mrs. Witherspoon, in her own words, is "scared and angry about this talk of changing social security." She said that she and her fellow workers would "lose confidence in our Government if we are forced to wait longer to retire. What's to say that when we get to be 50 or 60, that they won't make us wait until age 70."

Mr. Kendall, a former shipyard rigger, was forced—after two operations on his back and shoulder—out of his job in 1979. He was denied social security disability benefits even though the Department of Labor considers him to be 100 percent disabled. In his own words, Mr. Kendall, said:

At age 51 I am stuck, I am disabled and cannot work at my previous occupation, but I do not qualify for disability benefits, my disability also prevents employers from hiring me for a different occupation.

Mr. Kendall reports his situation is not unique among shipyard workers, steelworkers, and other industrial laborers. In fact, he reports, and my staff verified, that social security studies show that 80 percent of denied disability applicants never again find gainful work. Based on these figures, in 1981 alone, 662,000 of 840,000 denied disability benefits will have no choice but to wait to age 62 to get reduced retirement benefits. Both the committee bill and the Pickle amendment would further reduce or delay these early retirement benefits. As Mr. Kendall says:

We are doing the wrong kind of tampering with an already inadequate system.

I believe these witnesses dispel the widely held myth that America's future elderly will be so well off that they easily could tolerate postponement of retirement or a reduction in social security benefits. It simply is not true. Even the supporters of the proposal to raise the retirement age want to require a study to determine its impact. But we all know what the study will show—lower income workers, laborers, women, and minorities will be disproportionately disadvantaged by any reduction in benefits.

Social security is a social contract between this Government and the American people signed in 1935 to insure "against poverty-ridden old

age." This contract has endured through the cash contribution of employers and employees and the confidence the American people have in their Government to protect them in their retirement.

Only Mr. PEPPER's amendment will prevent an abrogation of that contract. Only Mr. PEPPER's amendment will prevent a further erosion of confidence in Government among America's laborers, minorities, and women.

Mr. Chairman, as chairman of the Select Committee on Aging, I can assure you and the Members of this House that my committee will be vigilant in safeguarding the rights of today's and tomorrow's elderly. We will also be thorough in our oversight of the impact of this and any other legislation which effects this vital and often vulnerable segment of the population. As our charter requires, we plan to cooperate with the relevant legislative committees by bringing them creative, efficient, and effective solutions which will be of benefit to older Americans and to our society as a whole.

□ 1350

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Maryland (Mr. MITCHELL).

(Mr. MITCHELL asked and was given permission to revise and extend his remarks.)

Mr. MITCHELL. Mr. Chairman, I rise in opposition to H.R. 1900, "to assure the solvency of the social security trust funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes." While some contend that this package represents the sole alternative to the bankruptcy of the social security system, I am concerned that other avenues, which will not penalize certain groups, should receive more attention and consideration by the House Ways and Means Committee.

The package before you has been opposed by business organizations, senior citizens, and Federal workers, to name a few. Many self-employed individuals across the country are also opposed to the specific recommendation which will raise their social security tax rates.

I certainly share the concern that we must move to insure the solvency of the social security system. However, I cannot see the feasibility of creating further burdens for the elderly by directing the delay of cost-of-living adjustments due in July 1983 for 6 months. This is one such recommendation contained in the measure before us today. Ironically, many of the people affected by this adjustment are on fixed incomes which hardly keep pace with inflation. To delay the critical cost-of-living adjustments is to add to the existing burdens of excessive health care costs, housing costs, and

others which must be borne, particularly by the elderly.

I would also submit that our self-employed individuals are being unjustly penalized under H.R. 1900. Once again, we are burdening our small businesses and individual entrepreneurs who are so vital to any hopes of an economic recovery. Most of these individuals and businesses are currently operating close to the margin of survival under present economic ills. The proposal to raise the social security tax rates paid by these persons is dangerous and might render them totally incapable of sustaining legitimate operations. How we can impose this burden is beyond my comprehension.

Mr. Chairman, the many Federal workers who have visited and written my office confirm that the provision in H.R. 1900 which would extend coverage under the social security system to all newly hired Federal Government employees, including the Postal Service, is unwanted and unsound. They share my concern that this move would severely drain the assets of the current civil service retirement system. With the enactment of this proposal, newly hired Federal workers would no longer be paying into the present retirement system; due to the fact that contributions into the system from current employees are used to pay the benefits of current retirees, there is danger that the assets would gradually be depleted and exhausted in approximately 20 years.

This threat to Federal workers is accompanied by directions for pension benefit reductions as proposed by the President. How much more can we shortchange Federal workers? In the last 2 years, they have lagged further and further behind their private sector counterparts as health and retirement benefits have been cut, and as the gap between Federal and private-sector pay has nearly doubled. It is sad that we must observe that our civil servants are seeking other types of job opportunities, and our young people are totally ignoring the public sector as offering stable employment or equitable salaries.

Mr. Chairman, I must mention that, when evaluating the modesty and fairness in asking everyone affected to sacrifice, we must be very careful. An additional "sacrifice" for a 65-year-old retired worker on a fixed income may mean the fine line between survival and complete defeat. A "modest" adjustment for a family attempting to provide the necessities for their children might force a choice between mortgage payments and college educations.

We cannot, in good conscience ask our Federal workers, and low- and moderate-income citizens, to disproportionately bear the brunt for all of the Nation's economic ills. The package before you is the epitome of forcing such a sacrifice, and I urge its defeat.

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Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Delaware (Mr. CARPER).

Mr. CARPER. Mr. Chairman, I want to preface my remarks by expressing my gratitude to the members of the Social Security Commission, to the members of the Ways and Means Committee, and particularly to Congressman PICKLE for their collective efforts to fashion the bipartisan plan which we are now considering.

Our vote today on the proposals to preserve social security will probably affect more people more intimately than any other vote that we will make this year or next. It is a vote that must be carefully considered for its effects on our older Americans and for its effects on our working Americans.

This vote will also affect our children and their children because with this vote we will either pass on to those younger Americans a retirement security program that is solvent and dependable or one that is not.

This legislation asks for sacrifices from just about everyone, the young, the aged, public and private sector employees, businesses, the self-employed, and even Congressmen and Senators. In my judgment, no one group is being asked to sacrifice significantly more or less than any others. And while few of us savor the prospect of making sacrifices, even when the end result is laudable, our willingness to do so in this instance will pull the social security system back from the brink of certain bankruptcy, while providing for a more secure old age for millions of Americans.

It is hard for me to imagine a more laudable objective. In conclusion, let me state that today, March 9, 1983, we have a rare opportunity to begin putting America back on the right track with a vote in support of H.R. 1900. I urge us to do just that.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 3 minutes to the gentleman from California (Mr. PANETTA).

(Mr. PANETTA asked and was given permission to revise and extend his remarks.)

Mr. PANETTA. Mr. Chairman, the bill we have before us today represents the end product of many long months of work and many difficult hours of negotiation. I commend the members of the National Commission on Social Security Reform and the Ways and Means Committee for reaching a compromise on this troublesome issue.

But I would like to point out to you today that in our satisfaction at achieving this consensus, in our euphoria at finally coming together on this difficult and divisive subject, we are ignoring the real issues at stake—and practically guaranteeing that this problem will return to trouble us again. We are fooling ourselves, just as we did in 1977, that we have solved social security's problems once and for all. We must not let the momentum of this compromise blind us to the fact that the real problems have not been

solved at all, but only hidden temporarily from our view.

The short-term package recommended by the National Commission and approved by the Ways and Means Committee combines two basic elements: benefit cuts and tax increases. Title II, the long-term provision of this bill, includes aspects of both, and the two amendments which will be in order today focus the long-term solution on one or the other of these alternatives.

Frankly, I do not believe either of these alternatives is a very acceptable solution to social security's problems. Further increases in the regressive payroll tax will have the harshest impact on working people at the low end of the income scale, and will place an additional burden on our already-struggling economy. Further benefit cuts will create tremendous hardships for the millions of Americans who depend on social security for most or all of their income.

Yet we are asking for these sacrifices without having the political will ourselves to confront and solve the real issue, the issue of structural change. By ignoring structure reform in favor of further benefit cuts and tax increases, I believe we are applying a band-aid to an illness which requires a deep-seated cure—and we should not deceive ourselves, or the American people, into thinking otherwise.

Last month, I introduced legislation to make long-term, structural reforms in the social security system which I believe are essential for its survival. My bill, H.R. 1543, would, over a transition period covering the years through 1990, transfer the nonretirement components of social security, disability insurance, and medicare, to general revenue financing. From 1991 on, the payroll tax would be reduced and stabilized at the level needed to fund only those programs which are appropriate for its use: The retirement and retirement-related insurance programs. Disability and medicare, which serve broader public needs, would be transferred to a broader and fairer source of revenues. At the same time, the retirement fund would be guaranteed to remain solvent, stable, and self-sustaining well into the future.

Mr. Chairman, I do not believe we have the right to ask our elderly retirees and young workers to bear the burden of social security's difficulties unless we make the structural reforms needed to guarantee the system's long-term stability.

The millions of Americans who receive benefits from social security and the millions more who pay into it are floating in a lifeboat, and their boat is sinking. The rope we threw them 6 years ago has worn through, and by approving this bill, we will throw them another. But the fact remains that the boat has a hole—and until we exercise the will and the courage to repair that hole, we will not put this problem behind us.

I also wish to point out to the House a provision of the social security bill which was not included in the bill as reported by the Social Security Subcommittee but which was added by voice vote the evening before the full Ways and Means Committee reported out this bill—a provision which takes social security off budget in 1988 and which is a further erosion of the last few years' efforts of the Budget Committee to bring off-budget agencies on budget. As chairman of the Budget Committee's Budget Process Task Force, I would like to remind you of the language included in the budget resolutions of the past few years and adopted by the House.

In 1980 the budget resolution contained the following language:

SEC. 2. The Congress recognizes that the activities of off-budget Federal entities are excluded from the budget by law. The Congress recommends that a way be found to relate accurately the estimates of off-budget Federal entities and capital expenditures to the unified budget.

Again in 1982—

(c) It is the sense of the Congress that the President and the Congress, through the appropriations process, should limit in fiscal year 1983 the off-budget lending activity of the Federal Government to a level not to exceed \$23,700,000,000, the on-budget lending activity to a level not to exceed \$33,150,000,000, new primary loan guarantee commitments to a level not to exceed \$57,700,000,000, and new secondary loan guarantee commitments to a level not to exceed \$68,700,000,000.

Again in 1983—

(C) New secondary loan guarantee commitments, \$0.

(c) It is the sense of the Congress that the President and the Congress, through the appropriations process, should limit in fiscal year 1983 the off-budget lending activity of the Federal Government to a level not to exceed \$31,000,000,000, the on-budget lending activity to a level not to exceed \$30,000,000,000, new primary loan guarantee commitments to a level not to exceed \$60,100,000,000, and new secondary loan guarantee commitments to a level not to exceed \$68,250,000,000.

As you know, in 1987 the President's Budget Concepts Commission recommended that all Federal programs be part of the unified budget. But starting in 1970 an erosion began when some programs were placed off budget by statute.

Since that time we have fought a roller coaster battle in our effort to control off-budget spending. Three off-budget agencies were brought back on budget but two new off-budget entities were recently established to carry out energy programs—synthetic fuels in 1980 and the strategic petroleum reserve in 1982. Now we have added social security to the list.

Outlays of off-budget agencies have grown from \$60 billion in 1973 to over \$17 billion in 1983.

As chairman of the Budget Process Task Force, I have the responsibility of examining the process to make sure that it continues to fulfill its two main

purposes, which are, first, to allow Congress to consider the entire budget overall, to examine the effect of total spending, revenues, and deficit on the economy, and, second, to facilitate making tradeoffs among programs competing for public resources.

Taking social security and medicare off budget would severely weaken the process.

Budget totals would be understated by more than \$300 billion, so it would be meaningless to talk of the size of the budget in relation to the economy.

The budget deficit would be overstated. This makes it difficult to relate deficits to the economy. Further, it seems paradoxical for us to arrange a system that will force us to vote for overstated deficits.

This precedent could lead to pressure to take other trust funds off budget, for example, the rest of medicare, the civil service retirement trust fund, the highway and airport development trust funds, the general revenue sharing trust fund, the land and water conservation fund, and so on.

The combination of overstated deficits and understated spending totals will lead to increasing pressure on the remaining on-budget programs, basically the discretionary programs—defense, education, employment, law enforcement, and so on.

Now people have argued that social security should be off budget because it is self-financed. This is not true—it receives and will continue to receive a number of general fund subsidies. Further, it is argued that taking it off budget will remove social security from politics.

But, in fact, the insulation would not work. Because the general fund subsidies to the trust funds will still exist, proposals to raise or lower social security or medicare benefits would still be reflected as on-budget changes to the cost of the subsidies. Thus, there could still be pressure to change social security or medicare because of budgetary considerations.

In summary, the proposal is bad for the process. It forces us to vote for overstated deficits. It puts unfair pressure on other programs. It is a bad precedent. It fails in its purpose of insulating the program. Therefore, the provision taking social security off budget should be dropped in conference.

Mr. CONABLE. Mr. Chairman, I yield 1 minute to the gentleman from Connecticut (Mr. MORRISON).

(Mr. MORRISON of Connecticut asked and was given permission to revise and extend his remarks.)

Mr. MORRISON of Connecticut. Mr. Chairman, I rise to speak in opposition to this bill, sadly but necessarily. The communications from the elderly people of my district have made it clear to me that they cannot bear the loss of 6 months' cost-of-living increase. Mr. Chairman, the largest city in my district, New Haven, is the seventh poorest city in the Nation. Many

of the elderly are among the poorest, in New Haven and elsewhere in the district. With rising utility costs, rising rents, and an increasing cost of living, this is not a sacrifice that they are able to make.

I might have made a different decision if this package provided real solutions to the long-term problems facing social security. I am convinced that unfortunately, it does not, and that we will soon be back here facing this problem again. We have to take further steps to control the steady increase of the social security tax burden on working people. We have to solve the problems of skyrocketing medicare costs which will soon overwhelm the system. This bill does not sufficiently address these problems to justify the immediate sacrifice, the immediate benefit cut, that is being asked of the elderly. That is why, reluctantly, I must vote against it. We must find better solutions for both the short-term and the long-term problems.

Mr. CONABLE. Mr. Chairman, I yield 1 minute to the gentleman from Missouri (Mr. COLEMAN).

(Mr. COLEMAN of Missouri asked and was given permission to revise and extend his remarks.)

Mr. COLEMAN of Missouri. Mr. Chairman, the social security legislation before us today presents the most important and difficult choices this Congress will be called on to face. The problems of the social security system are grave—even as we talk, social security is paying out \$17,000 a minute more than it is taking in. There is no easy way to solve the problems. But solve them we must, if we are going to keep faith with the 36 million Americans who are counting on their monthly benefit checks and the 115 million workers who are paying into the system.

The legislation before us is not a perfect plan. I doubt if there is a Member on this floor who does not object to at least one of its provisions. I myself am particularly concerned over several of the provisions, among them the inclusion of new Federal workers in the social security system and the unprecedented change of making some social security benefits taxable income for people who have made the effort to save and prepare for their retirement. Or for that matter, no one enjoys raising the rate of social security taxation. But if each of us held out for what we considered the ideal solution, this House would still be debating our 435 separate proposals while the social security system went bankrupt in July. So we must balance our individual concerns against the interest of the entire Nation in having a stable and strong social security system.

Let me take just a moment to address the concerns that public employees have raised about the plan. Social security's immediate financing crisis stems from the economy's failure to

perform at the optimistic levels projected in the 1977 social security amendments. The long-term financial problem is a result of demographics—when the baby-boom generation retires, there will be only two workers paying into the system to support each person drawing benefits. Neither of these problems is changed one whit by bringing more people into the social security system.

There is no plan before us today on what sort of a pension system will be devised for the new Federal employees who are to be brought under social security. Federal employees are being asked to take it on faith alone that Congress will protect the financial security of the pensions they have paid for. This social security package is limited in scope to insure that we do not break faith with the 36 million Americans who have paid into the social security system and are now receiving its benefits. Those who have been paying into the civil service retirement system deserve the same consideration. Every Member who votes for this social security bill should make a commitment to keeping the civil service retirement system financially sound as well.

Just 5 years ago, the congressional leadership told us that the Social Security Financing Amendments of 1977 would place the system on a sound financial footing well into the 21st century. We have all seen how inaccurate that assessment has proved, so I think we should avoid making any similar promises about the legislation we are considering today. Nevertheless, this bill presents, on the balance, the soundest and most responsible solution put forward for addressing the very real financial crisis of the social security system. No one group is asked to make all the sacrifices that are needed to make this system whole again. Passing this legislation is the best way to assure all Americans that they can depend on the social security system, both now and in the decades to come. Now is the time to set aside partisan political considerations and legislate in the compelling national interest. I urge my colleagues to support this legislation.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 4 minutes to the gentleman from Maryland (Mr. HOYER).

Mr. HOYER. Mr. Chairman, this legislation placed before us today may be an important response to the difficult challenge of producing a solvent and strong social security system. It may be an example of how well Government can respond to the cross-currents between various interest groups over this critical issue. It may well be the most equitable solution to this ticklish problem of balancing options in the speediest fashion. But for me, Mr. Chairman, it is not a solution I can easily accept. Indeed, many of my colleagues on both sides of the aisle share my uneasiness over adopting this proposal.

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I am most concerned, Mr. Chairman, over the portion of the bill which includes new Federal employees into the social security system. I find that this section truly offers little relevance to the task at hand.

What we are doing today is attempting to make the social security system fiscally more sound. But by bringing Federal and postal employees into the system we may, in fact, be adding further to the taxpayers' burden as we try to juggle two separate systems with another third retirement system possibly yet to come.

ANNOUNCEMENT BY THE CHAIRMAN

The CHAIRMAN. The gentleman will please suspend for just a moment.

We are delighted to have our guests in the gallery. There will be no indication of approval or disapproval, please.

The gentleman from Maryland.

Mr. HOYER. Mr. Chairman, the economy, demographics, prior Congresses, and prior administrations are responsible for our social security problems, not Federal employees, but we are asking them to be subjected to an additional reduction in pay to bail out social security.

Some have argued here that Federal employees should contribute to the system because many actually do receive social security in retirement. Yes, Mr. Chairman, Federal employees may receive these benefits, but if so, they qualify in the same manner as everyone else in this country.

I do not need to tell my colleagues how angry, demoralized, and frustrated these Federal employees and retirees are. As never before, they are lobbying the Congress asking "Why?" "Why are we being brought in to help solve the fiscal problems of a system to which we have no relations?" "Why is Congress threatening our civil service retirement system as we know it so that someone else's system can be made whole?" "Why are we always fingered when the Congress and the administration are looking for budget savings on new revenues?" These are legitimate questions, Mr. Chairman.

The gentleman from Georgia (Mr. JENKINS) made a comment about making a submission to the Committee on Rules.

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It has been clear from the very beginning once this Commission made its proposal that this bill was locked in stone. I understand that. I am also convinced, Mr. Chairman, that this bill will pass. One of the reasons this bill will pass, however, is the pledge of my good friend and the good friend of our Federal employees, the gentleman from Michigan, Mr. BILL FORB, the chairman of the Committee on Post Office and Civil Service, the pledge of the chairman of the Committee on Ways and Means, and the pledge of the Speaker of this House.

A pledge by these three gentlemen, Mr. Chairman, is a pledge that will not be broken. In their letter of February

18, 1983, these leaders of the House lent their support for a supplemental retirement system for Federal employees that provides benefits comparable to those available under the civil service retirement system. They stated their opposition to administration proposals to reduce civil service retirement benefits, and they reiterated that they would oppose any proposal that would adversely affect the financial integrity of the civil service retirement or the fund to pay the benefits promised to participants in the civil service retirement system.

I am convinced, Mr. Chairman, that one of the reasons that this bill has not been cracked open is that the Speaker, the chairman of the Ways and Means Committee, and the chairman of the House Post Office and Civil Service Committee have all given us their assurances that they will not permit this new provision of social security to affect adversely present or retired Federal employees. Those assurances are important to me, they are important to all my colleagues who have had serious doubts about this legislation, and they are important to the millions of Federal workers and annuitants. And they must be honored.

This bill will pass despite my opposition and the opposition of many of my colleagues to the inclusion of Federal workers in social security. I only hope that the leadership of this body will exert the same degree of determination and the same care which has been applied to this bill to the construction of a supplemental retirement system for Federal employees that insures the integrity of the old system and comparability for the new.

Mr. Chairman, in closing, let me say that under the Tax Equity and Fiscal Responsibility Act only one group of Americans had a general tax increase—1.3 percent for Federal employees. Under this bill, Mr. Chairman, only one group of Americans, Federal employees, will receive over a 5 percent tax increase as a result of the adoption of this particular piece of legislation. All other Americans will only receive a three-tenths of a percent tax increase.

Yes, it is true that they have participated in the past in the payment of social security. That is another issue. But the point of fact once again, Mr. Chairman, is that we are reaching into the pockets of Federal workers to solve a Federal budget problem.

In conclusion, Mr. Chairman, I would appeal to my colleagues, whether they vote for or against this bill, to pledge themselves to oppose vigorously the precipitous and unfair proposals being made in the pending budget which dangerously undermines the pay and benefits of those dedicated individuals on whom we rely in the Congress and in this administration to carry out the policies and programs of this Congress.

Mr. BOSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Georgia (Mr. FOWLER).

(Mr. FOWLER asked and was given permission to revise and extend his remarks.)

Mr. FOWLER. Mr. Chairman, the social security system is in serious trouble, and we have only two alternatives from which to choose: We can approve this bipartisan compromise before us today or we can put off yet another time the difficult decision that faces us, and continue the fears of so many about the future of the social security system.

We all know the history of this compromise. In 1981, President Reagan, recoiling from an enormous amount of public and congressional protest of his ill-conceived social security finance reform package, created a bipartisan commission to study social security and to propose equitable changes to restore the system to solvency. Despite popular expectations, a majority of the diverse group of people represented on the commission approved the tax and benefit changes necessary to put social security back on its feet. We have an improved version of these proposals before us today.

What would happen, Mr. Chairman, if this body were to shirk its duty and defeat this package which carries the endorsement of people across the political spectrum, including President Reagan, the House and Senate leadership, and my distinguished colleague from Florida Mr. PERROW?

This is what would happen. The 36 million beneficiaries and the 115 million workers covered by social security would face additional months of uncertainty about the future of the system. Beneficiaries and workers alike would lose faith in our greatest and most popular social program. Younger workers, concerned that social security would be broke by the time of their retirement, could push for the elimination of the system. People in and near retirement would grow more uncertain of the system's future. We cannot allow this intergenerational strife to occur.

No one in this room favors every element in this package. Yet, given the widely varied interests represented in this Chamber, we have achieved as sound a package as is politically possible. The sacrifices called for in this compromise are as broadly distributed and equitable as possible. In both the short term and the long term, beneficiaries and workers alike contribute to shoring up social security.

Many people have expressed concern about the delay in this July's cost-of-living adjustment (COLA). While I certainly have reservations about this provision, I realized that it is the most equitable way that current beneficiaries can help in saving social security.

No one's benefits will be cut under this provision. Instead, the July 1983 COLA will be paid in January 1984.

This equitably spreads a relatively small burden among all those now drawing benefits, rather than concentrating a large burden on a small number of current beneficiaries.

The very low-income elderly will be completely shielded from the impact of this provision. Although the COLA for supplemental security income (SSI)—Federal cash assistance for the aged, blind, and disabled poor—must also be delayed for administrative reasons from July to January, SSI beneficiaries will receive a one-time across-the-board increase in monthly benefits of \$20–\$30 for couples. This is almost double the maximum SSI COLA of \$11 that would have been paid otherwise.

Higher income beneficiaries will also be called on to contribute to restoring social security to financial health. Our bill would require beneficiaries to include in taxable income the lesser of one-half of benefits or one-half of the excess of the taxpayers' combined income—adjusted gross income plus one-half of benefits—over a certain base amount. The base amount would be \$25,000 a year for an individual, \$32,000 for a married couple filing jointly, and zero for married persons filing separate returns.

I was quite concerned about taxing a small portion of social security benefits because this has never been done before. Changes in this provision made by the Ways and Means Committee reduce the percentage of beneficiaries affected by this provision to well under 8 percent. What is more, although employees pay income taxes on their income subject to the payroll tax, employers do not because they can claim a business expense deduction for their payroll tax payments. Therefore, it is argued that requiring social security beneficiaries to pay taxes on the previously untaxed portion of their benefits—the part provided from employer contributions—is appropriate at the time of receipt.

Current workers are also called on to help. Already scheduled increases in the payroll tax for 1985 and 1990 would be rolled forward, under the bill, to 1984 and 1988, respectively. Many people have pointed out that increasing payroll taxes in 1984 may stifle recovery and hamper our efforts to reduce unemployment. That is why this bill would give employees a payroll tax credit, for 1984 only, equal to the payroll tax increase in 1984.

Self-employed persons would also make a sacrifice under this measure. When the self-employed were first covered by social security in the 1950's, their payroll tax rate was set at about 1½ times the employee rate, or about 75 percent of the combined employee-employer rate.

Since that time, however, it has been widely recognized that although the employer nominally pays half of the total payroll tax for each worker, the worker himself bears the burden of this tax by receiving a lower net wage

from his employer. Consequently it has been argued, and this bill proposes, that the self-employed, as both employee and employer, should also pay the same tax rate as the combined employee-employer rate.

In recognition that this is a substantial tax increase on the self-employed at a time when the economic recovery may be only beginning, this bill also proposes a payroll tax credit equal to 2.1 percent of payroll in 1984, 1.8 percent in 1985 through 1987, and 1.9 percent thereafter.

Although the President's National Commission on Social Security Reform originally proposed a tax deduction equal to one-half of the self-employed's payroll tax payments, this bill restructured that proposal to provide a credit of similar magnitude that will ease the burden of the additional tax for lower income self-employed persons.

The bill would also make a number of other important changes in social security. Federal workers hired after 1983, Members of Congress, the Federal judiciary, and nonprofit organization employees would join the 115 million people in the private sector in paying social security payroll taxes. State and local governments now participating in social security would be prohibited from withdrawing from coverage. Windfall social security benefits for people who draw pensions from nonsocial security covered employment would be eliminated, and the U.S. Treasury would reimburse social security for uncashed social security benefit checks and gratuitous military wage credits.

In the depths of the Great Depression, amid widespread poverty among our Nation's elderly, the U.S. Congress enacted the Social Security Act of 1935. At that time, over half of our elderly population subsisted on incomes below the poverty level.

Over social security's 48-year history, the system has drastically reduced poverty among the elderly by 75 percent and become America's most popular and most successful social program.

Mr. Chairman, we cannot abdicate our responsibility to workers and beneficiaries. We must deal decisively with this issue and restore faith to all Americans of Congress commitment to social security.

In short, I urge my colleagues to support this bill as an equitable solution to the crisis we now face in social security.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. WAXMAN).

(Mr. WAXMAN asked and was given permission to revise and extend his remarks.)

Mr. WAXMAN. Mr. Chairman, I would like to take a few minutes to discuss the medicare prospective reimbursement provisions of this bill.

Rising hospital costs have been the major factor in increased health

spending for many years. We tried 3 years ago to pass legislation to limit health inflation and spending with overall limits on all hospital costs through a hospital cost containment measure, but that effort was defeated on the floor.

Today, we have before us a major revision in how medicare pays for hospital care. All of us are very concerned that major reforms like this not be too abrupt—we do not want a system that imposes deep and irreversible changes before we can evaluate their impact, or that brings immediate windfalls or substantial deficits to individual hospitals.

That concern is evident in many places, including my own State of California. But I believe that the changes made in the committee bill help to address this problem. The short-term impact is moderated by accounting for urban and rural differences, and for regional differences. Most importantly, the system is phased in over 3 years. The first year retains 75 percent of payment on the basis of institution-specific cost limits, with only 25 percent on the basis of the new prospective system. That phasing period will give us an ideal opportunity to examine the impact of the proposal as it is phased in, and allow us time to make any adjustments that are required.

We should all acknowledge that the proposal is not as comprehensive as the type of all-payer program that I would prefer. But it would serve none of our interests to hold this up for a system which may not be possible at this point, the bill offers important protections for States that do want to develop all-payer programs through provisions based on Mr. Wyden's bill. I hope that we will see States responding to this opportunity. In addition, it provides for the collection and study of data on the impact of such all-payer programs in order to provide us with the information needed to address this issue in the future.

The bill is an important step in moving us from our existing and inflationary cost-based payment system to a prospective mechanism under which hospitals have some incentives to moderate their costs.

There are a number of other features that were important to many of us and are now included in the Ways and Means committee bill.

The system will initially be based on geographic regions to help take into account the existing differences among regions in hospital spending;

The system adjusts for the higher costs in urban areas;

The system takes into account some of the special needs of the urban public hospitals;

The system includes special adjustments for teaching hospitals—it passes through the direct medical education costs, and includes a special adjuster to account for their indirect costs;

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The system phases out the special return on equity that is part of the cost-based system and places all hospitals on an equal footing in trying to earn a return based on their ability to operate at costs within these prospective limits;

The system passes through capital costs but includes a study and some interim constraints to minimize any efforts at rapid and costly capital expansion;

The system includes all services—except physicians—provided by hospitals to help assure that the cost and charges are not simply shifted to medicare part B;

The system includes important studies of how to limit potential volume increases, and how to address the issue of revising physician payments for inpatient services to parallel this new hospital payment system; and

Finally, I would stress that the committee bill prohibits hospitals from extra billing the medicare patient—so the costs cannot be passed on to them.

All of these provisions help make this an acceptable first step in our reform on hospital payments. I thank the Ways and Means Committee—and especially Mr. SHANNON, and Mr. GEFHARDT, and the chairman and ranking minority members of the full committee and health subcommittee, for their efforts in these areas.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Puerto Rico (Mr. CORRADA).

(Mr. CORRADA asked and was given permission to revise and extend his remarks.)

Mr. CORRADA. Mr. Chairman, the actions we take today are important to preserve the financial health of the social security system. A system that has served well, for close to 50 years, millions of American citizens in the Nation and Puerto Rico. A system which shows that we as a nation care for our elderly, our disabled and for their families.

Our social security system is presently in critical economic condition which could endanger the well-being of millions of beneficiaries nationwide.

The social security rescue package we consider today reflects a bipartisan agreement between Democrats and Republicans aimed to save the system from disruption.

As a package it has elements which I fully support and elements that deeply concern me.

I fully support the establishment of a medicare prospective payment system for hospitals which I deem wise and beneficial to the hospitals, the Government and the medicare beneficiaries. It will improve hospital's financial planning and serve as an incentive to hospital's cost efficiency. The Government, on the other hand, will gain some control over its rising disbursements due to increasing hospitals costs. The medicare beneficiaries will also benefit as a result of keeping

hospital costs down and their operation as efficiently as possible.

I am very pleased with the provisions of title V of this bill, which would extend the authority for Federal supplemental unemployment compensation benefits through September 31, 1983.

This program has been extremely beneficial in Puerto Rico in maintaining a steady, though small, income for families where the wage earner is experiencing long-term unemployment. In an economy of 25.3 percent unemployment, we can only expect the numbers of people needing this additional aid to increase.

I am deeply concerned with the provisions that will put various categories of federal employees under the social security system.

I urge my colleagues to act promptly and establish a new supplementary system to give new social security covered Federal employees retirement benefits comparable to those that will be received by Federal employees that will remain under the civil service retirement system. Both groups of employees as well as both retirement systems should be fully protected.

I also urge you to oppose any amendment aimed at increasing the present social security retirement age or curtail future benefits. Any long term shortfall in the system should be taken care of by raising employer-employee contributions if and when necessary.

I give my support to H.R. 1900 and urge all my colleagues to vote for it. By doing so we will be protecting a system that is essential to carry out our commitment of social justice to all American citizens in the Nation and in Puerto Rico.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Wisconsin (Mr. GUNDERSON).

(Mr. GUNDERSON asked and was given permission to revise and extend his remarks.)

Mr. GUNDERSON. Mr. Chairman, I rise in support of the bill before us.

Mr. Chairman, as we consider legislation to remedy the serious funding shortfall of the social security system, the words of Abraham Lincoln should offer some guidance. He once instructed the American public, "You cannot escape the responsibility of tomorrow by evading it today."

How easy it would be to reject the Social Security Amendments of 1983 (H.R. 1900) today for one political reason or another. Yet, Congress has a responsibility to this system, and the 150 million Americans affected by it, which cannot be ignored in good conscience.

The financing problems facing social security are real and immediate. The old age and survivors insurance fund has already run out of money. Payments continued during 1982 through interfund borrowing approved by Congress in 1981. That borrowing authori-

ty has now expired, and unless new legislation is enacted, the OASI fund will be unable to pay July benefit checks on time.

The House Ways and Means Committee has reported that if interfund borrowing were merely continued without additional reforms, the three combined social security funds would be unable to pay benefits on time beginning in the spring of 1984. Under the circumstances we have no other choice but to consider comprehensive legislation to rectify the problem.

H.R. 1900 represents over 1 year of bipartisan work by the National Commission on Social Security Reform established to recommend a fair, balanced plan to restore the system and Americans' confidence in it. The Commission's recommendations included: acceleration of already scheduled payroll tax increases, 6-month delay of the cost-of-living adjustment, tax incentives for those who retire after age 65, inclusion of newly hired Federal employees and employees of nonprofit organizations, changes in the self-employment tax and revision of certain social security rules. The plan won bipartisan support and balanced \$40 billion in benefit changes against \$40 billion in revenue increases.

After minor modification, the House Ways and Means Committee reported this plan to the House. Is the plan perfect? Certainly not. Many of these provisions, considered alone, would seem both insufficient and unjust. Yet, considered as a package they represent the most viable option open to us at this point.

No one really supports increased taxes. This bill would accelerate the scheduled OASDI tax increases, but it would also offer a 1984 tax credit to compensate for this increase of 0.3 percent of wages. In addition, the social security tax rates for self-employed persons would be increased by 33 percent to the full employer-employee rate. Yet, this provision is coupled with yearly tax credits through 1988. A portion of beneficiary social security payments would be subject to taxation for individuals with \$25,000 income and couples with \$32,000. It is important to note that the committee in its deliberations increased the income threshold originally recommended by the Commission and altered the computation procedure to make it more equitable.

Social security retirees would face a 6-month delay in their COLA from July 1983 to January 1984. Included in this provision is an increase in supplemental security income of \$20 for individuals and \$30 for couples per month to insure that this delay places no undue burden on low-income and disabled individuals. The COLA change overall is expected to reduce the average beneficiary's payment by about 2.45 percent. In a time requiring decisive action, I believe many of my constituents are prepared to make such a

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sacrifice to insure solvency for social security.

Many Federal employees in my district have criticized the inclusion of new hires under social security as a politically expedient measure to bail out the ailing system. But this proposal is not new by any means. In fact, since 1938 social security advisory councils have advocated inclusion of new Federal employees under social security. The 1981 National Commission on Social Security outlined a detailed plan to cover new Federal employees, including creation of a special Federal Employee Benefit Board to oversee the transition by 1984.

I certainly sympathize with their legitimate concerns expressed about the future of the civil service retirement (CSR) fund. However, in testimony before the House Ways and Means Committee, Sylvester Schieber, research director for the Employee Benefit Research Institute, stressed that the exclusion of new employees from the CSR system would not bankrupt the fund. The Federal Government already pays about 65 percent of the yearly income to the fund, while employee contributions compose only 15 percent of this yearly revenue.

Congress has maintained its obligation to this retirement fund and my colleagues and must not and will not renege on that commitment or allow the fund to go bankrupt. In floor debate on this bill today, House Post Office and Civil Service Committee Chairman WILLIAM FORD has assured us that this bill protects the integrity of the civil service retirement system since it mandates no change in Federal contributions to the system. In addition, this bill merely calls for inclusion of new Federal employees under social security without requiring a separate supplemental retirement program envisioned by the Commission. He has pledged to work with his committee to develop a scheme that will preserve the financial condition of the CSR system. I make a similar pledge. The will of Congress is clear. The Federal retirement program will be protected.

Several groups have criticized this package of reforms since the Commission completed its report. Some want no tax increases and substantial benefit reductions. Others believe the provisions reduce COLA's too much and advocate general revenue transfers to bolster the system. This plan strikes an effective balance between these approaches.

To fail to approve this legislation would be to renege on our promises to current retirees and those who continue to pay into the system. We must accept our responsibility for the future by supporting this comprehensive package today.

Mr. CONABLE. Mr. Chairman, I yield myself 13 minutes.

(Mr. CONABLE asked and was given permission to revise and extend this remarks.)

Mr. CONABLE. Mr. Chairman, we have reached a climactic point in a long struggle to save our social security system. There have been many times—many times—when I have wondered whether we would get this far. But my worst fears have failed to materialize, and we have before us today a bill that will not only avoid a financial crisis this year but will permit the payment of significant benefits in the future.

Even better, this solution does not put an undue burden on any one group or interest currently or potentially related to the system.

This bill is not an ironclad guarantee that nothing will ever go wrong with the system. No legislation can offer such assurance. We do not know the future. But I am convinced, absolutely, that H.R. 1900 represents the best answer to social security's financial problems that this body is capable of producing at this time and after the legislative and political history of the issue.

It has arrived here after a sometimes perilous journey through the National Commission on Social Security Reform so ably chaired by Alan Greenspan and the Committee on Ways and Means. The Commission provided a necessary preliminary to the success of our legislative effort. The committee did not exactly rubber-stamp the Commission's consensus recommendations, but it followed them so closely that anyone who endorsed the Commission's consensus can endorse the committee product with confidence.

The committee bill is not only consistent with the Commission consensus, it is timely. If certain key features of the legislation are to be implemented, enactment must take place early this spring. Therefore, there has been a strong sense of urgency to the mission.

The chairman of the Committee on Ways and Means promised in December that he would start the hearing process on this issue February 1 and have a bill on the floor of the House during the week of March 7. This might appear an easy task, but for every hour of committee deliberation on delicate matters, several hours must be spent behind the scenes in efforts to satisfy disparate desires of individual Members. In the case of this bill, the chairman of the committee demonstrated clearly his expertise in this kind of leadership. He promised and he delivered. And so a great deal of credit for this effort to save the social security system should go to the gentleman from Illinois (Mr. ROSTENKOWSKI).

Much credit should also go to the distinguished chairman of the Subcommittee on Social Security, the gentleman from Texas (Mr. PICKLE). He has persevered in his drive to make the social security system safe, and both the contributors and the beneficiaries owe him a debt of grati-

tude for his untiring efforts. He has been a bridgebuilder.

The final product of all these labors is, of course, imperfect. It is not precisely what the chairman of the committee, the chairman of the subcommittee, or any one of our colleagues would prefer.

Let me emphasize that the bill certainly does not represent my personal concept of the ideal way to reform social security. My views on this are well known to those Members who have listened to me expound on them over the past 15 years; but my views in this respect are never going to be enacted into law.

I have presented my best thoughts on the subject often, and the response from this body has been, to put the best face on it, something less than enthusiastic. To cite 2 outstanding incidents, in 1982, 34 Members voted with me against an unfunded benefit increase, and in 1977 I was joined by 56 Members in supporting a comprehensive Republican substitute for the Carter tax proposal. I was not really lonely on these occasions, but I certainly did not feel crowded, nor did my wonderful principles greatly affect this troubled system in its declining course over the years of the struggle.

When this latest crisis began developing, it would have been easy enough for one with my track record to develop another major social security reform bill. It would have been highly satisfying substantively, but it never would have gotten anywhere politically. I do not apologize to my principled friends for my part in the negotiations which got us here with this legislation.

Over the past 2 years, social security has become increasingly a subject that no longer can be discussed in terms of reason and logic. For some time it has been purely a political topic, and the politics have become the politics of fear.

In this environment it has been obvious that only a truly bipartisan proposal, agreed to by both the President and the Speaker, could become enacted into law this year. H.R. 1900 is such a proposal.

□ 1410

Each part of this bill engenders strong opposition from one interest group or another, but as a package it has found widespread acceptance. In this case, the whole is truly greater than the sum of its parts.

Yes, the bill does reduce benefits for some beneficiaries with above-average incomes. Yes, the bill does require greater contributions from self-employed persons. Yes, the bill will accelerate high tax rates paid by employees and employers. And, yes, the bill does require a sacrifice by those already drawing benefits, who will have to wait 6 months, until January of next year, to receive their 1983 cost-of-living benefit adjustment.

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The bill scatters burdens widely. It has a little something for everyone to hate. But it does something else of overriding importance: It strengthens the system financially so that 36 million beneficiaries can be reassured that their benefits will continue to be paid month after month, year after year, and it gives assurance to the 115 million current contributors that there will, indeed, be benefits available for them when they become eligible. Such assurance can be given because H.R. 1900 makes it clear that the Congress itself is the one sure fail-safe mechanism, and Congress never will allow the system to fail.

More specifically, with respect to the bill, about 15 percent of the \$185 billion it would raise to cover short-range needs would come from mandating social security coverage for certain groups that are now either exempt or are permitted to withdraw from the system. These groups include new Federal employees after 1983, all employees of nonprofit organizations, and employees of State and local government entities that are currently covered. Persons receiving pensions based on noncovered employment will have their OASDI benefits reduced somewhat to eliminate so-called windfalls from "double dipping."

About half of the short-range solution comes from tax increases. These include accelerating rate advances already scheduled for 1985 and 1990, requiring the self-employed to pay rates equal to those of the employee and employer combined, and taxing part of the benefits of beneficiaries with adjusted gross incomes of \$25,000 for individuals and \$32,000 for married couples. The effect of the tax increases would be mitigated by Federal income tax credits for workers.

About one-fourth of the short-range solution comes from a 6-month delay in the annual cost-of-living adjustment, from July to January. The January 1984 increase is guaranteed, even if inflation is insufficient to trigger the increase under present law. A stabilizing device starting in 1988 would base annual benefit adjustments on the lower of wage or price advances, but only if the trust fund ratio is lower than 20 percent or about 2 months of benefit payments. If the trust fund ratio subsequently rises above 32 percent, these reductions in COLA's would be paid back.

Now, Mr. Chairman, I think many people have underestimated the importance of this proposal. It is not ascribed any fiscal impact by the actuaries, because it is assumed that the fund will never get down to 20 percent again. We all know that we have made incorrect assumptions in the past, but as a safeguard this stabilizer is a tremendously important and significant part of the package, regardless of optimistic assumptions about its fiscal impact.

The remaining 10 percent of the short-range solution comes from gen-

eral revenue transfers to the trust fund to reflect the unpaid taxes on gratuitous military service wage credits and the amount of social security checks that were never cashed. In the future, the trust funds will continue to be reimbursed for unnegotiated checks.

In combination, the short-range elements have a significant long-range impact, amounting to about two-thirds of the 2.1 percent of payroll estimated long-range deficit. The bill resolves the remaining 0.7 percent of payroll deficit through a combination of a 5-percent benefit reduction and a 0.24-percent tax increase, both of which would occur after the turn of the century.

When the time comes, however, I intend to vote for the amendment to be offered by the gentleman from Texas (Mr. PICKLE) that would substitute for the long-range solution in the bill. There are serious demographic problems in the next century. We have a population bulge going through our society like a pig through a python, and that population bulge is, of course, the post-World War II baby boom. When this group reaches retirement age, we have what is called a demographic problem. The amendment of the gentleman from Texas (Mr. PICKLE) would sensibly offer a demographic solution. The so-called baby boom will be retiring and longevity will continue to increase, in all probability, further exaggerating the demographic problem. Mr. PICKLE's amendment would deal with these factors by advancing very gradually the minimum age of maximum benefits. The motion warrants support.

To protect the system against possible unusually adverse economic conditions in the future, the bill also includes a provision, first, to advance tax collections in a month; with appropriate interest payable, and second, to allow interfund borrowing in the short term. As a last resort, it directs the managing trustee to submit a financing plan to the Congress whenever the trust funds drop to a dangerously low level.

This bill includes several other provisions recommended by the recent Commission. Four of these would increase or otherwise broaden the availability of benefits to certain widowed, divorced, and disabled persons, primarily women. Other provisions specify the procedure to be followed in the investment of trust fund assets, require that social security be removed from the unified budget, and authorize a study of the feasibility of establishing SSA as an independent agency.

From what I have said thus far, Mr. Chairman, one could infer that H.R. 1900 concerns only modifications of the National Commission recommendations on the Nation's social insurance system. I have dwelt upon that part of the measure because I consider it the most important. But

the bill does include four other segments of significance.

One covers a wide-ranging set of technical amendments endorsed by the administration and developed by the Social Security Subcommittee many months ago to deal with some vexing if not terribly important problems in title II of the Social Security Act.

Another part of the bill makes a few changes in supplemental security income—the public assistance program for the aged, blind, and disabled who are in demonstrated need. SSI benefits would be increased \$20 per month for individuals and \$30 per month for couples, effective July 1, 1983. The basic link with social security cost-of-living adjustments would be maintained, however, and SSI recipients would be paid a delayed COLA increase on January 1, 1984.

A further SSI change would allow until September 30, 1984, a disregard as income of emergency and in-kind assistance given by a private nonprofit organization to an aged, blind or disabled person in need. This is the so-called Christmas basket amendment.

H.R. 1900 also includes a 6-month extension of the Federal supplemental compensation program, the FSC program. The current FSC program is scheduled to terminate March 31. FSC provides benefits to unemployed persons who have exhausted their regular benefits and extended benefits. FSC benefits are paid totally by the Federal Government. Therefore, the program imposes no new demands on State resources.

The number of weeks of FSC benefits is correlated with the insured unemployment rate in the States.

Finally, the bill would bring about long needed reform in the way medicare pays hospitals. Phased out in an orderly fashion would be the so-called retrospective cost-based reimbursement, a system that provides little or no incentive for hospitals to control costs or to operate more efficiently, since the more costs a hospital incurs, the greater its medicare reimbursement. In its place, H.R. 1900 would establish a system of prospective pay under which hospitals would be provided an incentive to be efficient and cost conscious in the delivering of care.

In addition to appropriate exemptions, exceptions and adjustments for certain facilities, such as long-term, public and teaching hospitals, the bill would authorize the use of State cost-control systems in lieu of the medicare system under specified conditions.

These are important bipartisan changes. They will establish the Government as a prudent buyer of services and eliminate the current perversive incentives of our medicare reimbursement system. I urge their adoption.

In summary, then, Mr. Chairman, the bill has several important parts involving public assistance, unemploy-

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ment compensation and medicare. Above all, it is a bill to save our social security system from the threat of bankruptcy.

It emerged from the Committee on Ways and Means on a recorded vote of 32 to 3. Not in many years has major legislation been blessed with such a harmonious, bipartisan sendoff. This reflects, I think, the strong view of most Members that the social security crisis must be averted, and soon, and that this vehicle is the best one to do the job.

I hope this is the prevailing view, Mr. Chairman, and that we can move today to save social security and then proceed with our other work. We and the American people need this reassuring vote.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Ohio (Mr. SEIBERLING).

(Mr. SEIBERLING asked and was given permission to revise and extend his remarks.)

Mr. SEIBERLING. Mr. Chairman, in 1977 many of us in Congress voted for a social security financing bill we disliked because we were given a choice between supporting that bill and letting social security go bankrupt. We again face the choice of voting higher and more regressive payroll taxes or letting the system go bankrupt. Under the circumstances, I intend to cast my vote for the bill before us.

While the bill could be faulted on many grounds, its worst feature is that it increases social security's reliance on the regressive payroll tax. The payroll tax is just about the worst tax there is. It increases unemployment by making it more expensive for employers to hire new workers. It also increases inflation, since most employers simply pass the tax increase through to consumers in the form of higher prices.

Furthermore, it violates the principle that, where possible, taxes should be based on ability to pay; lower-income workers pay a higher percentage of their income in social security taxes than the well-to-do. It is truly a regressive tax.

Yesterday, I placed in the RECORD on page H935 a Washington Post article by Thomas B. Edsall examining how our overall tax system has become less and less progressive in the past few years. He notes that social security payroll taxes are three times higher as a percentage of Federal revenues than they were a quarter century ago. During that same timespan, the percentage contribution of personal income taxes, which are based on ability to pay, has remained constant while the corporate income tax today contributes barely one-quarter of what it used to.

This sad situation is made sadder by the fact that it is unnecessary. There are other alternatives—reasonable alternatives—to higher payroll taxes. One in particular which I have supported for many years is to remove

medicare from payroll tax funding and fund it with general revenues. Moreover the committee bill does not even address the serious funding deficiencies facing medicare. The actuarial estimates provided by the Social Security Administration show that the health insurance trust fund will continue to decline and be depleted in about 1990. Thus, even if the committee bill becomes law, we will still have to come back in several years to address the serious deficiencies in the medicare program, dealing yet another body blow to public confidence in the long-term stability of social security.

Our colleague LEON PANETTA has introduced legislation that would deal effectively with both problems. I strongly urge the Ways and Means Committee to take that proposal up, in this session, so we can avoid the negative impact of the increase in the payroll tax and also settle the question of funding medicare before it becomes a critical problem.

Nor does the bill the House is considering today contain the supplemental Federal pension that will be needed for new Federal employees and for Members of Congress who will be covered by social security beginning next year. The lack of such a plan is a major concern to the many Federal and postal workers whom I have talked with in recent weeks.

I am gratified by the assurances we have received from Speaker O'NEILL and Chairman FORD of the Post Office and Civil Service Committee that a plan will be developed promptly and submitted to Congress. New Federal workers being placed under social security deserve to know that they will have supplemental retirement costs and benefits comparable to those of current Federal workers. It is absolutely essential that Congress deal with this question in this session. I intend to do everything I can to see that it does.

□ 1420

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Illinois (Mr. SAVAGE).

Mr. SAVAGE. Mr. Chairman, I oppose this bill because—just as we seek to balance the Federal budget on the backs of the needy to give to the greedy—we are seeking to balance our social security system on the backs of its poor beneficiaries and future beneficiaries.

If we want to find the money to heal social security, take it from bombs, not from bread. Pass a real jobs bill and put people back to work, and then the unemployed can pay into social security.

Take away our millions of dollars from the tyrannical El Salvadoran dictatorship with which it is murdering its citizens. Disengage the United States from its support of the racist/fascist South African dictatorship. Do not cut taxes any further for the big

corporations and those who earn more than \$50,000 per year.

Divert funds for the MX missile to retirement benefits. Switch our appropriations from nuclear weapons escalation to the health, hospitalization, and educational needs of the American people—and there will be no need to force Federal civil servants' retirement plans down into social security, but rather the opportunity to lift social security up to the level of those retirement plans.

The hodgepodge of political compromise before us did not require any courage of convictions, but putting the people first would.

The problem with this bill is not a matter of adding or subtracting a dollar here or there, or switching categories from here to there. We need to send the whole mess back to committee where the entire priorities of the ingredients of our Federal recipe need to be turned right-side-up.

We must restart by totally rejecting the upside-down priorities of that Robin Hood-in-reverse in the White House, rather than merely seeking to reconcile the differences within them between Democrats and Republicans.

Consider the people above power.

Mr. ALBOSTA. Mr. Chairman, since its inception in 1935, the social security system has strived to adhere to one of the most basic of American values: the right of a person to live out his last years with dignity and some economic security.

In the past few weeks I have traveled throughout my rural district in Michigan and talked to senior citizens, business people, labor unions, and farmers about this social security financing package that is before us today. The message they gave me was clear. Even though this package will have a great impact on their own individual interests, they told me, "Something must be done to keep social security solvent; we must all have to expect to make some sacrifices to make sure that this is done."

For those of my constituents who are willing to make sacrifices in order to insure the dignity and economic security of our older Americans, I sincerely thank you. Knowing that my constituents are willing to set aside selfish interests and have asked that I do what I feel is best for social security and the country, has helped me to support this very necessary bi-partisan reform package.

To be honest, there are many parts of this package I would have difficulty supporting under other circumstances.

Increased payroll taxes for workers and the self-employed and delays in the cost-of-living adjustments are provisions I could not support under ordinary circumstances. However, the circumstances we now find ourselves in demands that we make these difficult decisions. The bi-partisan agreement now before us requires that we all make sacrifices. A delicate balance be-

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tween tax increases and benefit adjustments to insure that solvency of the social security retirement system in both the short and long term have been carefully put together. While the National Commission's report paved the way for this financing package, I commend the members of the Subcommittee on Social Security and the full Committee on Ways and Means for pulling together this bi-partisan package, which I feel is a fair and responsible approach.

I am personally pleased that the committee chose to include my bill, H.R. 1778, which recredits uncashed social security checks to the trust fund, as well as includes Members of Congress under social security and provides for a tax credit to the self-employed to offset the costs of increased payroll taxes.

Furthermore, I want to make it clear that I support the version that came out of committee because I believe it to be the fairest, most equitable approach for strengthening the entire social security system. In my opinion, the two amendments offered today by my distinguished colleagues weaken this delicate compromise. One amendment returns to the old pattern of tax, tax, tax. It is about time we realize that we cannot use tax increases as our only way out of difficult financial situations. The other amendment attempts to reduce benefits for future retirees by increasing the retirement age to 67. The reduction in lifetime benefits could be as much as 14 percent compared to the 8 percent included in the financing package. More importantly, this increase in the retirement age will have a negative impact on women and those who are in jobs requiring heavy physical exertion. Based on these factors, I cannot in good conscience support either of these amendments.

I would also like to add here that as a member of the House Post Office and Civil Service Committee, I will continue to work to insure the continued viability of the civil service retirement system.

No doubt, this is a difficult decision and one which we will have to live with for a long time. As such, I feel that I must vote for the package that I feel will do the job of maintaining solvency of the social security system without placing the burden on one segment of the society over the other. Therefore, I reiterate my position of supporting the social security financing package without amendments and encourage my colleagues to do the same.

• Mr. SHUMWAY. Mr. Chairman, it is with regret that I rise in opposition to the Social Security Amendments of 1983, and with disappointment that I find those amendments unacceptable. Like many of my colleagues, I had anticipated the presentation of this legislation, believing that it would constitute an equitable and responsible remedy to one of the most important

domestic problems confronting us. Unfortunately, the bill falls short of the desired goal.

Before outlining the details of my opposition, I would like to stress that my respect and admiration for the herculean effort set forth by the National Commission on Social Security has in no way been diminished. The task force is to be commended for achieving a broad consensus on the nature of the system's financing problems, and for establishing parameters for responsive action. The Ways and Means Committee is likewise deserving of recognition for its sincere efforts to identify and correct the difficult problems inherent in social security.

As the ranking minority member of the Subcommittee on Retirement Income and Employment of the Select Committee on Aging, my hope was to be able to support a fair and workable measure designed to avert the long- and short-term deficits projected for social security. I realize that any bill presented would have to reflect certain compromises among the principals and their constituents, and I was quite willing to sacrifice some of my own preferences for the common goal of restoring solvency to the system. However, I find that I simply cannot compromise enough to make the inequitable provisions of this bill acceptable. The measure violates some basic premises of the program and establishes unwarranted historical precedents. The earned right or insurance character of the program is jeopardized, for example. The introduction of a means test, general revenue funding and taxation of benefits can only diminish the credibility and self-sufficiency of the program.

One of the most controversial components of the legislation is the provision for mandatory coverage of all Federal employees hired after January 1, 1984, including employees of non-profit organizations, and preventing State and local governments from withdrawing from the social security system. This universal coverage provision has met with understandable opposition, because it is very unfairly applied. For example, only new Federal workers are to be covered, yet all non-profit employees are forced into the system. In regard to the retention of State and local governmental employees in the system, it is clear that those remaining are dissatisfied with the system: 167,000 local government entities plan to withdraw from the plan in the next 2 years. Last year alone, 179,000 nonprofit employees withdrew. No one who works on Capitol Hill needs to be reminded of the adamant opposition of Federal employees to participation in the social security system. Perhaps we should consider reforming the system's structural deficiencies to make it more attractive, rather than coercing reluctant workers into a system they view as detrimental.

I understand that the Commission was concerned that serious constitutional questions would result if all State and local governments were required to participate. However, the Commission did see fit to prevent present participants from withdrawing. It seems to me that a prohibition against withdrawal is just as much mandatory coverage as forced enrollment would be, and that constitutional questions may still arise. The power of Congress to tax the States to affect certain traditional State functions under the 10th amendment seems likely to be questioned.

Nonetheless, if universal coverage is to be enacted, then I am pleased to note that the committee has mandated coverage for Members of Congress, the President, the Vice President, Federal judges, and political appointees.

Three major revenue proposals are contained in the bill which will impact every person in the labor force, every business, and millions of current social security benefit recipients. Next year, for the first time, social security benefits will be subject to Federal income tax if this bill is enacted. In 1984, a portion of social security benefits and railroad retirement tier one benefits will be treated as taxable income for persons with adjusted gross income including 50 percent of social security benefits in excess of \$25,000 for individuals, \$32,000 for married couples filing jointly, and zero for married persons filing separately. It is unfortunate that the committee left unresolved the problem resulting from the notch for taxpayers with adjusted gross income in excess of the threshold with 50 percent of their social security benefits included in taxable income, while those below the threshold would escape additional taxes entirely. The tax burden will be distributed unfairly. Additionally, the measure may encourage a reduction in taxable income through reduced work effort or the transfer of assets to tax-exempt instruments. The proposal would tax those who have saved for retirement and would, for the first time, impose a means test on social security benefits.

A second revenue proposal would increase OASDI tax rates for the self-employed to the combined employer-employee rate, as well as SECA tax credits to offset part of the tax burden. Small businesses may suffer substantial cost increases as a result of this revenue increase. The proposal also threatens to exacerbate unemployment and delay economic recovery further in the small business sector.

Finally, the committee recommends an acceleration of the FICA tax increased mandated by the 1977 amendments. The bill provides a one-time tax credit of 0.3 percent of compensation against the 1984 employee FICA taxes. Payroll tax increases have become a convenient source of needed revenue for the social security trust

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funds, but their virtues have been extolled far beyond the realistic abilities of those tax increases. I recall that, in 1977, then-President Carter stated that the massive payroll tax increases contained in the 1977 amendments were "the guarantee that, from 1980 to 2030, social security funds would be sound." The fact that we are here in this Chamber today debating the need for still more revenues seems to cancel Mr. Carter's "guarantee."

Another objectionable feature of the bill is the proposal to modify the cost-of-living adjustment (COLA). The June 1983 COLA would be delayed until December, and all subsequent COLA's would be payable on a calendar year basis. It is grossly unfair to change the rules for those already dependent upon social security, particularly the low-income elderly who rely upon social security and the COLA as their sole source of income. If COLA is to be the instrument of salvation for social security, then we in Congress should review the methodology for computing the Consumer Price Index, and should evaluate its applicability to the true cost of living for older Americans. Such an evaluation may lead to more realistic and cost effective means of calculating cost-of-living adjustments.

There are certain provisions of the bill which have my support. Improving benefits for surviving divorced or disabled spouses who remarry is one such positive provision; increased benefits for disabled widows and widowers is another. Benefits would be increased for widows whose husbands had died several years before the widow was eligible for benefits. Divorced individuals would be allowed to receive spouse's benefits at age 62 whether or not the former spouse had retired. I am also pleased that title III of the bill includes miscellaneous and technical provisions to eliminate gender-based distinctions under social security. The gentleman from Texas (Mr. PICKLE), is to be commended for his endeavors to remove from the system inequities against women.

Another feature of the bill which I endorse is the provision to place each of the three trust funds within the unified budget as separate functions and, in 1988, to remove those trust funds from the budget altogether. I strongly endorse the off budget approach.

However, those positive components of the bill do not weigh heavily enough to offset its inequitable provisions. In essence, the legislation before us is another example of the treatment of symptoms, rather than the curing of causes. The social security system has many faults and negative aspects which must be corrected, not masked. The very structure of the system is in need of reform and revision and, until such time as those structural weaknesses have been properly corrected, I fear that social security will be continually plagued with

ills. I am opposed to the bill, and I am sincerely regretful that it is simply not enough.

Thank you.●

● Mrs. SCHNEIDER. Mr. Chairman, I rise today in support of the bill, H.R. 1900. There is no question that there are portions of the bill that I am very unhappy to see become law. Yet, as so often is the case with major, landmark legislation, we are faced with a package composed of many small parts. In order to reach enough of a consensus to save the system, it becomes necessary for all of us to accept some provisions we do not favor in order to accomplish the need for both immediate and long-term relief for the social security system.

Mr. Chairman, I must honestly say that I am most impressed with the quality of debate in this Chamber today. However, we must not lapse into complacency with passage of this bill. I, for one, must insist that we continue to monitor the welfare of the Federal worker, the disabled recipient, and the medicare beneficiary. I am disturbed by the statements of some of our colleagues to the effect, "Sure, this is a difficult vote, but do it now and this is the last time we will address social security during our lifetimes."

Let us remember that we have committees whose responsibility it is to closely follow the welfare of those receiving social security, disability, and medicare benefits. We must not neglect this very important responsibility, and we must reassure the American people that we would not enact this package and forget about them.

Mr. Chairman, yesterday I asked the Rules Committee to permit greater debate on some issues affecting the system, particularly with respect to coverage of Federal workers and delays in COLA adjustments. I certainly am disappointed that the Rules Committee failed to permit votes on these subjects, and I implore the committees to give due attention in the coming months and years to the effect of these measures with a view toward correction, if necessary.

Mr. Chairman, again, with these reservations and cautions to my colleagues, I will vote for this package. But let us not forget that one of our major responsibilities is oversight—and that we have a duty to insure that the result of this legislation is that which was intended when it was drafted.●

● Mr. GEJDENSON. Mr. Chairman, I rise today in opposition to H.R. 1900, the Social Security Act Amendments of 1983.

I oppose the bill because I believe that the Congress has, over the past 2 years, missed numerous opportunities to bring progressiveness to the Nation's tax structure, and that, by passing this package as it now stands, we are missing yet another opportunity to enact a progressive tax policy.

My colleague from Connecticut, Mr. MORRISON, and I had hoped to propose an amendment to the legislation that would have, in our estimation, made it far more equitable. Our amendment would have removed the cap from the taxable wage base for both employers and employees, a move that would have raised approximately \$80 billion for social security between 1984 and 1990. In addition, we would have removed the language for the 6-month COLA delay and the inclusion of Federal new hires from the bill. Our proposal would have raised approximately \$27 billion more for social security than does the inclusion of those two provisions.

Not only would our alternative have saved more money, but it would have done so in a far more equitable fashion. The Congress, over the past 2 years, has allowed a number of regressive tax proposals to be enacted, and has basically lost the opportunity to go back and make the tax cut progressive. In the face of huge Government deficits, the President continues to propose regressive tax measures such as the gasoline tax. We have rolled over and played dead too long while the President's policies benefiting the rich and denying the poor have become the law of the land.

Our proposal would have given Congress the opportunity to bring progressive tax treatment to the social security system—a move that is long overdue.●

● Mr. FAUNTROY. Mr. Chairman, I rise in opposition to title I of section 101(a) of H.R. 1900 which provides for the inclusion of new Federal employees hired on or after January 1, 1984, into the social security system.

I am also deeply disappointed that the rule under which we are debating the Social Security Act of 1983 does not permit a vote on the inclusion of new Federal workers into the social security system.

The civil service retirement system is being put at risk in order to bail out the social security system. Is not the inclusion of Federal workers into the social security system a case of robbing Peter to pay Paul?

The civil service retirement pay as you go system will not be able to function if new Federal workers are not added to the system. This provision to include Federal workers could mean that when current Federal workers retire there will not be a new generation of Federal workers to contribute to the program.

Federal employees have correctly argued that the only way to insure benefits for Federal workers is for the Government to put additional billions into the civil service system.

Mr. Chairman, what we are engaged in is a shell game. This proposal will provide no significant contribution to the solvency of the social security system.

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The estimates of the additional revenues that the inclusion of new Federal workers are greatly exaggerated. The Congressional Budget Office has estimated that revenues deriving from the inclusion of new Federal workers could be as low as \$4.9 billion in the short term. Over the longer period, many believe, that the social security system, will lose money when Federal workers begin to receive social security benefits.

Government costs emanating from this provision will increase as the Government begins matching Federal employee's social security taxes and paying for the new retirement system to supplement social security benefits.

Additionally, the Government would experience a loss in revenue as taxable civil service retirement benefits are replaced by nontaxable social security benefits.

Again, Mr. Chairman, I wish to express my disappointment that the rule under which we are operating will not permit a vote on this very unwise provision.®

Mr. WALGREN. Mr. Chairman, I want to add my support for the Social Security Act Amendments of 1983. This legislation, a careful compromise which earned the support of many diverse groups, promises to place social security on a sound financial basis well into the next century and provide us all with a basic income in our retirement years.

In talking to many of the people I represent, it is clear to me that the greatest reservation the public has is the belief that social security will run out of money again in the near future. After all, they say, we were told in 1977 that the tax increases the Congress then approved would keep the system sound into the 20th century. And, look what happened. The system is bankrupt in less than 5 years.

However, unlike the 1977 amendments which proved to be inadequate because of the unexpected double burden of severe inflation and unemployment of the past decade, this bill contains important automatic stabilizers which will do much to insure financial stability. Beginning in 1988, if the trust funds decline below a reasonable level, the cost-of-living benefit would automatically be reduced to the lower of the consumer price index increase or the increase in average wages. This will prevent depletion of the trust funds in times of rapid inflation and sluggish economic growth, when prices outstrip wages. When the funds recover, a "catch-up" benefit payment would be made.

Passage of this bill demonstrates the commitment of the Congress to the fundamental structure and principles of the social security program. It is important to keep in mind that the problems confronting social security merely reflect the changes in our society. Most important of these is that we are an aging society with longer life expectancies and lower birth rates.

In 1950, there were 16.5 workers supporting each social security beneficiary; today there are only 3.2. Life expectancy for males has risen from 65 to 1980 to 70 in 1982. It is only to be expected that we must set aside more of our resources to meet the increased needs an aging population requires from our society. To think that we can avoid increasing our contributions and believe that basic social security benefits can be maintained, is simply wishful thinking.

Finally, I believe it is most important that this bill requires universal participation and coverage in social security. Every American without exception, including the President and each Member of Congress, will now be required to pay social security taxes.

No one will be able to point to anyone else and say they are not bearing their fair share. Each of us will know that that, whatever burden we are bearing, it is only our fair share when we think about what everyone else is paying.

Mr. Speaker, the importance of continuing a healthy social security system was especially well put by a constituent of mine. In a recent letter to me, she wrote:

Dear Mr. Walgren: I am a senior citizen. My total income is \$476 of social security and \$5.00 benefit from the veterans administration which I get along on, paying \$209 rent in addition to my gas, electric, phone and medical items. I also keep my life insurance as well as Blue Cross up each month. I dropped my Blue Shield because I knew I couldn't do it, but I manage okay. I am 76 years of age and have been a widow for 7½ years and I feel very lucky to be able to take care of myself so I see no reason for people with \$20,000 or more should complain about having tax taken for social security when they know the condition of our great country. Let everyone help as much as they can and be happy doing so.

I don't live in a shabby neighborhood and am not ashamed to bring anyone into my apartment. If they would only bring food prices down a little it would help a great many people. I am thankful for everything I have. My late husband worried how a frail person like me would even exist after he was gone. But I did it and am contented. Sure, I must sacrifice some times but it never hurts me to do so.

God bless you and your fellow representatives.

I can think of nothing more important than that the Congress keep the social security system sound.

® Mr. WIRTH. Mr. Chairman, social security affects virtually every American in a direct and important way. It has been remarkably successful at achieving its central purpose of keeping senior citizens from living in dire poverty. It has provided a basic floor of income for retired Americans and has given working people the security of knowing they will not be destitute when they grow old. It is our country's largest social program, the result of a social compact we made in the dark days of the Depression.

Because social security is of such profound importance to all Americans, our overriding goal today must be to

insure its solvency, both for people now receiving benefits and for people now paying into the system. As we know, that solvency is threatened—social security is expected to need \$150 to \$200 billion between now and the end of the decade to stay healthy. Social security checks are now literally being sent out on borrowed time, time which will expire in July. If we fail to act today in approving this plan, we run a very real risk of letting that time expire and letting a lifeline for millions of older Americans expire too.

What the President's Bipartisan Commission on Social Security accomplished in achieving consensus on a package of reforms is nothing short of remarkable. This group, appointed by leaders of both parties, moved beyond the simplistic rhetoric in which many had engaged. Through more than a year of hard work and negotiation, they put together a realistic and balanced package. They deserve deep thanks from all of us.

One of the hallmarks of a true compromise is that there is something in it that everyone does not like. That is certainly true of this package. Each member of the Commission, acting individually, would have written a different plan. The Commission is asking for some sacrifice from nearly every American. But the reason their work is so impressive is that they do not ask an unfair sacrifice from any one group. Their compromise strikes a fragile balance between a number of competing and legitimate interests. If we turn it down today, there is certainly no guarantee that groups now unhappy with parts of the package would be more satisfied in the future. Indeed, there is no guarantee that another compromise could be reached.

When the Commission's plan was issued in January, I decided that before making my decision on whether to support it, I would consult broadly with my constituents. Through newsletters to each home in my district, I explained the major parts of the plan, and outlined arguments for and against each part. Hundreds of Coloradans took time to communicate with me about social security, and their thoughts were very helpful. Some of their feelings were touching—seniors living barely above the poverty line who wrote that a 6-month delay in their COLA's was a necessary part of keeping social security healthy, current workers stating that a gradual speedup in their payroll taxes was a reasonable part of the needed solution, and many others.

Other constituents shared their concerns about parts of the package: Federal workers concerned about the future of their retirement system, small business people worried about the effect of the tax hikes on their businesses, working taxpayers who are feeling the brunt of ever-rising taxes, and others.

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The level of response to my request for thoughts of constituents on social security was heartening. It underlined for me how important this issue is to millions of Americans. I fully understand the concerns of people opposing this plan, but I believe it is in the best broad national interest to support it.

While I share the concern of some senior citizens who are worried that a 6-month delay in their annual cost-of-living increase in the next 6 years will increase their economic hardship, this proposal has been coupled with relaxed eligibility for supplemental security income so that low-income seniors will be protected. Its effect on senior citizens will be far less than many other proposals to cap or cut the annual inflation adjustment. Alternative suggestions to use general revenues to shore up the system are untenable in this era of multibillion dollar annual Federal deficits, and social security must not be mixed into the annual political pressures to reduce Federal spending.

Some individuals have expressed concern about the gradual speed up in already scheduled tax increases through the rest of this decade. Certainly all of us are feeling the burden of these difficult economic times and are not pleased about the size of our tax bite. But again, this proposal was far more moderately designed than others which were considered by the Commission to speed up these tax rates much more dramatically.

One of my major principles in looking at this issue has long been that there must be a fair and careful balance between the revenue side of the social security trust fund—affecting current workers, and the benefit side of the trust fund—affecting current recipients. I find this basic balance in the combination of the delayed COLA and the very gradual speedup of scheduled tax increases.

Federal employees have been among the most vocal in opposing the provision to include new Federal employees in social security, because of its potential effect on their retirement system. I opposed the 1977 proposal to bring current and new Federal, State, and local employees into the system, because I believed then, and still do, that these people are entitled to benefits promised them when first hired. But the plan before us today would not affect the retirement of any current Federal worker, nor would it affect the other retirement plans of State and city workers who are not included in the social security system. There are discussions now under way to develop a supplemental pension plan so that future Federal employees are treated essentially the same as workers in private industry, who usually have a retirement plan in addition to social security. Federal workers are concerned that because fewer people will pay into their retirement program in the future, benefits may have to be reduced. But the Federal retirement pro-

gram has never been a pay-as-you-go system like social security, and nor will it become one. Of the \$19 billion paid to Federal retirees last year, about \$4 billion came from contributions made by retirees, and \$15 billion came from general Federal revenues. I will continue to support Federal workers on the range of other issues on which they are under attack by this administration, and I will continue to work to insure to solvency of the civil service retirement system for all current Federal workers and retirees.

Additionally, I was pleased at a provision added by the Ways and Means Committee to include the President, Vice President, Members of Congress and Federal judges, in the social security system. This is something I have been urging for years, and it is long overdue.

I was also pleased that the committee added long-range benefit and tax rate changes to the overall plan, in order to address the funding problems social security will face early in the next century when the post-World War II "baby boom" generation reaches retirement age. I believe the committee language is reflective of the fairness and compromise that has characterized the debate on this touchy political issue since the Commission's plan was issued. Like the rest of the plan, the committee's proposal would address both the benefit and revenue side of the social security funding picture by calling for raising taxes in the year 2015 and for reducing the bend points, or replacement ratio, by 5 percent between the years 2000 and 2008.

Because I believe the committee struck a fair and reasonable compromise on this long-term issue, I will oppose both the amendments being offered today by my two distinguished colleagues.

The amendment by my colleague, Mr. PEPPER, would ask that taxpayers bear the full load of the long-term financing problem, while the amendment by my colleague Mr. PICKLE would ask older Americans to bear the full load, by penalizing those who retire before age 67, without provisions for those who must retire early for health reasons. Instead, I hope we will preserve the careful balance in this plan as reported by the committee, with this long-term funding burden fairly shared, and oppose both amendments.

Mr. Chairman, we as a society decided two generations ago to enact true social security in which all share in the benefits and all share in the costs. This system has served our country well over the years, and if we pass this carefully crafted compromise today, social security will continue to serve our country well for the foreseeable future. Thanks to a great deal of hard work, we have the opportunity to act today to solve the problems of this huge program in a way that is fair and sound. It will insure that benefit

checks continue to go to current recipients, and that they will be available in the future for people now paying social security taxes. It will ask for sacrifice from all of us, but it will also offer benefits to all of us. It is in the best interests of all 230 million Americans to pass this social security reform package today.

● Mr. RODINO. Mr. Chairman, I rise in support of the Social Security Act Amendments of 1983 and of the amendment to be offered by our distinguished colleague, Chairman CLAUDE PEPPER of the House Rules Committee.

We all know that the social security system is facing grave financial problems, both in the short term and in the long term.

Unless we act expeditiously, benefits cannot be paid this coming July.

This most urgent problem has created fear and distress for the millions of our retired citizens who rely for all or part of their income on social security benefits. It is imperative that we act to assure the payment of benefits and to restore the confidence of Americans in the integrity of the social security system and in their Government's commitment to its solvency and future status.

As reported by the Ways and Means Committee, the bill will raise \$165 billion through the end of this decade, which is expected to eliminate the anticipated deficit in social security trust funds.

For the long-term deficit, the committee bill would result in a reduction in benefit levels. I believe Chairman PEPPER's amendment, to institute a payroll tax increase of 0.53 percent in the year 2010, is a far better and fairer way to resolve the problem.

Taken individually, there are provisions of this bill I would strongly oppose. For example, it is distressing that the bill will delay the cost-of-living adjustment in benefits for 6 months.

But over-all, I believe the balance of tax increases, benefit reductions, a limited use of general revenues, and the expansion of coverage to new Federal employees and others is the best possible compromise that could be worked out to resolve the social security crisis.

Another provision that has caused me much concern is the effect of including new Federal employees in the social security system on the future benefits of current Federal employees, who would continue to be covered under their separate civil service retirement system. These Government workers raised the very valid question of what would happen to their future benefits if new Federal employees would not be making contributions to the civil service retirement fund.

I am reassured that this will not become a problem. As Chairman FORD of the House Post Office and Civil Service Committee has told us during

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this debate, civil service retirement coverage is mandatory for all Federal employees. This is not changed under this bill, so new employees would, upon entering Government service, join the retirement system existing in their agency and be making contributions to the civil service retirement fund. In addition, the Speaker and Chairman FORD and ROSENKOWSKI have stated their opposition to "any proposal which would threaten or adversely affect the financial integrity of the civil service retirement fund, or the ability of that fund to continue to pay benefits promised to participants in the civil service retirement system."

It is my conviction that the final supplement retirement plan developed for new Federal workers will be fair to them and will assure the payment of the scheduled retirement benefits of current Government employees. I will certainly do all in my power to carry out this commitment.

Mr. Chairman, separate parts of this bill constitute sacrifices by different groups of our citizens—the retired whose COLA's are delayed and our working citizens whose payroll taxes will rise. But taken as a whole, H.R. 1909, with Chairman FORD's amendment, is a balanced and fair resolution of the critical problem of restoring solvency to the social security system for the near term and over the next 75 years.

• Mr. SIGISKY. Mr. Chairman, our action today on the social security reform proposal presents the Congress with as grave a responsibility and as serious a vote as I ever expect to make during my service in this body.

The proposal developed by the bipartisan National Commission on Social Security Reform has been carefully considered by the House Ways and Means Committee under the able leadership of Chairman ROSENKOWSKI. Extensive hearings have been held and a very comprehensive consideration of all the specific recommendations has now been completed. Several aspects of this proposal have been troubling to me and my colleagues, and to the people we represent.

One part of the proposal which has been of great concern to many workers in my own district is the requirement that all new Federal employees participate in the social security system effective January 1964. Although current Federal employees will be totally exempt from this requirement, there continues to be much legitimate concern and confusion over the impact of this particular requirement. Two important points should help allay these concerns.

First, the Social Security Commission has recommended that Congress develop a retirement plan that would supplement the benefits new workers will receive from social security. The Post Office and Civil Service Committees will soon begin to consider the details of such a plan.

Second, and most important perhaps for current Federal workers, Speaker O'NEILL and the chairman of the House Ways and Means Committee and the Civil Service and Post Office Committees have pledged to oppose any efforts that would adversely affect the ability of the civil service retirement system to pay promised benefits. Federal workers' retirement benefits will be protected in the future, just as they are now, by the willingness and commitment of the Congress to appropriate the funds necessary to pay for those benefits.

I share that commitment, that pledge, and that willingness to act to protect the benefits which Federal employees have worked hard to earn and have rightfully come to rely upon as they plan their retirement futures.

Objections have been raised to other aspects of this social security reform package. The House Ways and Means Committee has heard and well considered all of these objections, as have I.

Because the social security proposal is a compromise, it contains parts which, if considered alone, I would not support. Many of my colleagues share this opinion. But as a responsible legislator, I believe that my first responsibility is to insure that social security recipients do not experience any interruption in the flow of benefits. For fully one-third of those currently receiving a social security check, that check is the sole source of income. These recipients and millions of others live from one check to the next and would suffer even greater hardships if the system failed. I also believe that the Federal Government has an obligation to today's workers to insure that their investment and expectations are protected.

Despite my reservations about specific parts of this proposal, I do believe that this bill has been designed so that no one group in our country is asked to make unbearable sacrifices in order to protect the social security system. All groups must sacrifice a little to accomplish this goal as fair a manner as possible.

On the whole, I believe that the benefits of this reform package far outweigh the sacrifices called for in the proposal. For the first time, Members of Congress will also be required to contribute to the social security trust fund. Certainly, the Congress too is showing its strong personal commitment to the system and to its solvency.

Perhaps, there is no better demonstration of our democracy and the need for compromise among conflicting interests than our work on this proposal. I believe that this is the only way we can insure that this Government will be able to honor the commitments we have made for a system which is so crucial to the lives of millions of Americans.

• Mr. BILIRAKIS. Mr. Chairman, I am distressed at the manner in which the U.S. House of Representatives, in its handling of the social security re-

form package today, violated its own tradition as a deliberative body.

Not only was the debate on this crucial issue limited severely by the rule under which it was considered, but the vote on the rule itself was handled in a most undeliberative way.

I opposed the rule under which the social security bill was considered. I opposed it because I wanted the opportunity to debate, fully and openly, some of the more controversial sections of the package—particularly the issue of universal coverage.

I am opposed to bringing Federal employees into the social security system because it violates the contract under which these employees have been working.

As a former civil service employee of the Federal Power Commission, I know of many Federal employees who turned down better paying jobs in the private sector because they wanted the security their Federal pension provides.

Now, because of the actions we took here today, that pension may be jeopardized.

And yet this specific issue was not a subject on which we could vote. The rule precluded such a vote, just as it precluded a vote on delaying this July's scheduled cost-of-living adjustment, advancing tax rate increases, and on the taxing of social security benefits for individuals whose earned income reaches a certain level.

Now, I realize that opening the whole social security package to amendments carried with it the risk the bipartisan spirit behind the package could be lost, but I still feel dismayed that I was not given the opportunity of voting on the various elements of the package.

This program is too important to too many segments of our economy to be handled in such a manner.

We should have been allowed to vote on each and every segment of this bill.

• Mr. KASTENMEIER. Mr. Chairman, like many of my colleagues, I am certain, I have weighed the pluses and minuses of this legislation carefully. We all recognize the vital importance of acting on some package to assure the solvency of the social security system for current and future beneficiaries. We all, also, share the desire that whatever burden is imposed in order to achieve that solvency be spread as evenly and as fairly as possible so that no one group suffers an undue portion of the sacrifice that is, by necessity, required to achieve this goal.

I believe that the National Commission on Social Security Reform and the Ways and Means Committee have attempted to fashion as fair and as bipartisan an approach as is likely possible. Nonetheless, I have had problems with portions of this bill, some of which have caused me at times to feel I would vote against the package.

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I am concerned with the impact of the delay in the cost-of-living increase for current beneficiaries, particularly those receiving minimal benefits and hope that every effort will be made to assure that the increase in SSI payments will help to compensate for the COLA delay imposed on particularly low income social security recipients.

The impact of the increase in taxation for the self-employed, especially small business people, is also a source of concern to me, and I sincerely hope that the tax credit provided the self-employed against their taxes will be adequate to help offset the increased burden, but I still have doubts—especially, after the 2-year duration of the tax credit.

Of particular concern to me has been the impact of the provisions extending social security coverage to new Federal employees effective January 1, 1984. Like many, I have questioned the impact of such a provision on the viability of the civil service retirement system for those who will rely on that system for their future retirement benefits. Questions have been raised as to whether the system will ultimately go bankrupt because of the lack of contributions by new Federal employees.

In my view, this has been a serious enough issue that I had considered voting against the bill solely because of that threat. In an attempt to gain a better perspective on just what this provision will mean to the future of the civil service retirement system, I spoke at length with the chairman of the Post Office and Civil Service Committee, the gentleman from Michigan (Mr. Ford) who was of immense assistance in helping to put this entire matter into better focus, and who has greatly assisted me in clarifying some misconceptions that have been promoted as arguments against such extension of coverage.

As I now understand this legislation, while new Federal employees will be required to contribute to social security effective January 1, 1984, they will also be required, as is currently the case, to contribute to the civil service retirement system. Therefore, contrary to the claims by many, the contributions of new Federal employees to the CSRS will not be lost.

However, this does not alleviate another serious concern, namely, whether these new Federal employees will therefore be forced to bear an unduly heavy financial burden because of the necessity of dual contributions to both systems, amounting to a total of about 14 percent of their salaries, at the outset, a very large assessment, indeed.

Because of this factor, I am assured by Mr. Ford and the House leadership that every effort will be made to implement a mini-program whereby new Federal employees will have, instead, a supplemental program under the civil service retirement system, permitting contributions at a lesser than full rate

of 7 percent. While the contribution burden will still be more than if they were required to participate in only one program, they will also have the advantage of comparably higher retirement benefits through the two pension programs when they finally do retire.

I am further assured that every possible guarantee will be made that the Federal Government will contribute whatever will be necessary to assure expected benefits for current Federal employees when they do retire. As we all know through studying this issue, the General Treasury already contributes upward of 80 percent of the total needed to meet benefit obligations. Hopefully, under this new system, that contribution need not be significantly higher than it is today.

Because of these assurances regarding the future preservation of the civil service retirement system for those who must rely on that system for their retirement income, I have decided that, on balance, this is a supportable bill.

However, I also believe that some questions which I have raised, including assurances that adequate funding for the CSRS will be guaranteed for future years to come, must be addressed. I further believe that the Congress must closely monitor the impact of the dual contributions required of new Federal employees to assess the financial impact of such requirements, particularly on those at the lower rung of the GS ladder.

Mr. Chairman, on a final note I want to make the observation that Federal employees have been perhaps the most unjustifiably maligned group of workers in this country. For the most part these civil servants are hard working and dedicated employees who earn every dollar they make. They have continually been singled out for undue sacrifices ever time we face economic problems in this country. And, again, this administration has proposed asking more sacrifices from them by urging increased contributions to their retirement systems, freezing their wages when they have already been held to COLA increases far less than the cost-of-living increases for several years resulting in a lag of 14.47 percent behind the private sector as of October 1982.

If such actions continue, we will clearly come dangerously close to bringing reality to the myth that Federal employees are poorly qualified workers by making Federal employment so unattractive that we will be unable to find qualified persons to fill Government positions. Already studies show that Federal workers are paid an average of 20 percent less than comparable workers in the private sector and if the recommendations of this administration are adopted, they will fall even further behind.

I hope that bringing Federal employees under social security will quiet some of the criticism that they are

somehow a privileged class. I hope, even more, that we will finally cease treating Federal workers like second-class citizens.

Mr. Chairman, I sincerely hope that with this legislation, and with what I assume will be comparable action by the Senate, we will adequately address the short-term needs of the social security system. I trust that this package will relieve the concern held by many that there will be no money in the trust funds when they retire.

Whether the long-term needs of the system will also be met by whatever legislation is ultimately sent to the White House for the President's signature, remains to be seen. ●

● Mr. GONZALEZ. Mr. Chairman, I cannot support this bill.

On principle, it is wrong, in that it makes fundamental and probably irreversible changes in the nature of social security. For the first time, it places a tax on certain recipients, in effect creating a means test for beneficiaries. This ultimately means that the program will not be seen as an insurance program wherein all premium payers are treated equally, but as a welfare program in which some are treated differently from others, based on a test of need. Naturally, we are told that only a small percentage of recipients will be subjected to this new tax, but the principle will have been set, and that principle is clearly to transform the basis of social security from an insurance program into a means-tested welfare program. We will see that in the future, when the program is in trouble, the means test will be expanded, the number of people with drastically reduced benefits will increase, and public support for the program will fall off. It is a small provision, this tax, but its meaning and portent are vast, and it is fundamental to the whole future of social security as we know and understand it today.

On principle, I cannot support a bill that is drawn up in a matter of days, when we know that the recommendations behind it were arrived at only after months of struggle, and then only after the Commission was forced. The issues embodied in this bill are immense. They deserve more careful consideration and time than we are permitted to give today. The questions before us are greater than the two amendments we are permitted to vote on. If the Commission on Social Security was free to work its will, and if the Committee on Ways and Means was able to work its will, why must we reduce ourselves to consideration of only two amendments? Why should we deny ourselves the opportunity to work our will on such matters as coverage of Federal employees, and on such issues as the new medicare reimbursement system—just to name two of the larger questions in this bill.

On principle, I cannot accept the argument that this bill is the ultimate cure for all that ails social security.

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That is the precise argument that we heard in the last major social security bill. At that time, just 5 years ago, we were told that the legislation before the House would assure the financial soundness of social security for 40 or 50 years. It was a solution that in fact did not last 3 years. It was a solution founded in erroneous assumptions. But then, it was also a solution that was, like this one, spoon fed to the House. It was true then, and it is true now, that the soundest answers are the ones that make sense in an open and free choice. But we are denied the opportunity to advance alternatives, denied the opportunity to test this bill against our own judgment.

It is little noticed in this bill that the whole basis of medicare reimbursement is changed. Henceforth, hospitals will not be paid for the costs they actually incur in treating a medicare patient; they will be paid on the basis of what experts estimate the cost of care for a particular diagnosis ought to be. That cost can be more, or it can be less, than the actual cost for treating any given patient. This is precisely the kind of cost containment program that the Congress has heretofore rejected. Yet we are given no opportunity to discuss it in any meaningful way, nor do we have the opportunity to vote on the merits of this change.

Let us consider this: It is not likely that the reimbursement formula will be generous. Suppose that it is a formula that creates a consistent loss for hospitals that treat medicare patients. There could only be two results that flow from that: either the quality of care must decline, or the losses made up on nonmedicare patients. If it is the latter, private insurance coverage will again leap in cost, as it has been especially in the last 2 years. Make no mistake: This formula system may well end up as a hidden and extremely expensive tax against patients who pay their own way, or who use private insurance.

The foundations of medicare have been hacked at for the past 2 years. This bill takes that process one step further, and again transforms what was supposed to be insurance into a welfare program, a program that threatens the quality of health care and at the same time loads new, hidden costs on full-paying patients—just in the same way that Medicaid cuts forces a hidden tax on those full-paying patients.

There is more to this bill than meets the eye. There is general public understanding that cost-of-living adjustments will be delayed for 6 months. But there is precious little understanding that a few years hence, cost-of-living increases would be made in full only if trust fund reserves are at a certain ration. This is not a bill that calls for a one-time sacrifice; it is in fact intended to phase out these cost-of-living adjustments altogether, or make them so low as to be meaningless.

This is a bill that creates higher taxes for the self-employed, that makes the overall tax system still more regressive, and that finally says to the future beneficiaries of social security that they will not only be paying more, but will be receiving less in the way of benefits. This is in short a bill—in terms of tax burden, in terms of reduced benefits, and in terms of hospital care, works in every way against the best interests of the great bulk of our citizens.

Finally, there is the matter of Federal employees. The picture is painted that all this bill does is to bring Federal employees into social security. That is not the whole truth. The bill also works to eliminate the civil service retirement system.

We are told that civil servants will get some kind of supplemental retirement program, so that in the future their retirement benefits, together with social security, would not be adversely affected. But we have yet to see, or even see proposed, such a supplemental retirement program. If the intention is to integrate civil service retirement with social security, the way to do that would be to have a bill that does so. But this bill does not provide, nor even envision, that kind of program integration. Nor are we told that the administration would support such a plan if it existed. Federal employees are concerned—and rightfully so—that their retirement program is being sold down the river, in the guise of merely integrating it with social security. Again, this is a large issue. Again, it is an issue that, under the rule, we cannot decide upon, on the basis of its own merit.

This bill, in principle, embodies the notion that since it makes everyone suffer, it must be virtuous. It embodies the idea that since this particular fish smells peculiar to everyone, it must be some rare delicacy. I do not accept that. On principle, and in substance, I cannot support this bill.

● Mr. BERMAN. Mr. Chairman, we must consider the plight of the Federal worker. Although H.R. 1900, the Social Security Act Amendments of 1983, makes no changes in the civil service retirement system for current Federal employees, passage of the National Commission on Social Security's recommendations coupled with the President's pending budget requests certainly clouds the future for millions of loyal civil servants. It is important that Congress act promptly to remove this shadow of doubt.

Following passage of the social security package, Congress should enact a supplemental retirement plan for new Federal workers to insure their futures. Second, it is imperative that Congress rejects the proposed cuts in Federal employees' compensation contained in the administration's fiscal year 1984 budget request.

I have spoken with many Federal workers who have expressed their serious reservations about the long-term

security of the civil service retirement system (CSRS). Not only are they worried about the effect that bringing new hires into social security will have on CSRS, but they also feel that CSRS may become vulnerable as the number of Federal employees under the system decreases. It is important to note that the House leadership is on record as "opposing any proposal which would threaten or adversely affect the financial integrity of the civil service retirement fund, or the ability of that fund to continue to pay benefits promised to participants in the civil service retirement system." It is critical that this Congress protect future Federal retirement benefits so that future Congresses will be unable to chip away at the civil service retirement system.

Congress should immediately pass a supplemental pension plan to supplement new workers' social security benefits. The level of benefits under this plan should equal those of the current system combined with social security in order to guarantee financial security for future Federal employees.

President Reagan has called for far-reaching changes in the Federal compensation package that would result in Federal workers falling further behind the private sector in pay, shouldering much higher health-care costs, and receiving dramatically reduced benefits under the civil service retirement system.

It is important to consider the impact of budget decisions on workers over the past 2 years. First, the gap between salaries of Federal workers and the private sector has continued to widen. Federal workers have not received the full pay raises necessary to attain comparability with the private sector since 1977. As a result, there has been a growing gap between Federal and private wages and a continuing erosion of Federal earnings as inflation soared in the late 1970's. According to the Advisory Commission on Federal Pay, Federal employees needed an average pay raise of 18.5 percent last year in order to catch up with their private sector counterparts. Instead of the 18.5-percent increase required to reach comparability, Federal pay was increased by only 4 percent last year. For many Federal workers, the raise was completely offset by the new 1.3-percent medicare tax, and increases in the amount they were required to pay for health plan premiums.

The Reagan administration proposes to freeze Federal civilian and military pay for 1 year. Civil servants have borne the brunt of economic hard times for the past 6 years, as each administration has requested Federal pay raises well below that of the private sector. A freeze on Federal pay is unacceptable, for too long Federal employees have been the victims of the budget-cutting knife.

Furthermore, during the last 2 years Federal employees' health insurance premiums have sharply increased at the same time their health benefits have been significantly reduced. Under the Federal health benefit program (FEHBP) Federal workers and the Government share the costs of the system. In fiscal year 1981, when the Office of Management and Budget realized that there would be substantial shortfalls in the FEHBP, President Reagan decided against requesting a supplemental appropriation. Instead, the administration cut benefits and shifted the costs from the Government to civil servants by increasing their contribution. Last year, the administration once again increased worker contributions. Today, the average Federal employee is now paying 55 percent more for health coverage than in 1981.

The administration proposes to drastically alter the formula used in determining the Government's contribution to FEHBP. In lieu of a percentage formula, the Government would adopt a voucher plan. This means that the government would contribute a fixed dollar amount toward the purchase of a health plan. This proposal will force the Federal employees to bear a much greater share of the health care costs. This proposal will not hold down health care costs as the administration contends. Escalating medical expenses will become the financial responsibility of Federal employees.

Finally, major cuts have been made in the civil service retirement system (CSRS) since 1980. Cost-of-living adjustments (COLA) no longer come every 6 months, but on an annual basis. In 1982, these adjustments were delayed 1 month for each of the next 3 years beginning in 1983. This means that instead of COLA adjustments being on a 6-month cycle as they were at the start of the administration they are now on a 13-month cycle.

However, compared to the President's 1984 budget request these past cuts are minor. If passed, the fiscal year 1984 COLA will be canceled. In addition, the budget contains provisions to lower retirement benefits, increase employee contributions, and raise the age at which Federal employees can retire with full benefits. This proposal would have a devastating effect on the civil service retirement system. The administration is senselessly attacking a retirement system, which unlike most private pension plans employees contribute to, where the average retiree receives \$12,550 a year and 22 percent of retirees receive less than \$500 a month. Furthermore, these generous benefits are subject to Federal income tax.

Mr. Chairman, retired Federal employees and those nearing retirement have worked their entire lives at jobs less financially rewarding than those in the private sector. It is outrageous that we would now jeopardize their retirement security. Furthermore, unless

this Congress passes a fair supplemental pension plan, and rejects the President's budget proposals pertaining to Federal employees, it will become impossible to attract qualified public servants. Providing equitable Federal employee benefits is a matter of simple justice and a necessary investment in America's future. ●

● Mr. THOMAS of California. Mr. Chairman, as we consider how best to repair our Nation's social security system so that it will survive and continue to pay benefits to our retirees into the 21st century, I sincerely hope that Congress avoids taking the easy route—that is, more tax increases—and instead attempts a more permanent solution.

We have already agreed that in order to rescue the social security system, we must enact a set of short-term proposals with which every American may not agree, but which will put the system on a sounder basis. I may not agree with each proposal, indeed, no Member of Congress may agree on each proposal, but I believe the short-term package is by and large a responsible, balanced package which treats every group in our society fairly, and it must be enacted.

I believe Congress should take the same responsible attitude in dealing with the long-term problems which social security faces. In my opinion, the most equitable and responsible of the alternatives before us to assure social security's long-term solvency is to gradually raise the retirement age by 2 years, beginning in the year 2000.

According to actuarial estimates, this slight change, accomplished very gradually over a 25-year span in the next century, will assure that the system survives—without a future tax increase, without a future cut in benefits, without harming those now receiving benefits, without harming the disabled or women workers.

It is irresponsible and unfair for Congress to enact yet another payroll tax increase to cover 21st-century deficits. Payroll tax increases simply attempt to mask the real problem we face with social security. In short, people are living longer, and relatively fewer workers are being asked to support the system.

Is it equitable for Congress to require younger workers to pay more taxes and settle for a benefit cut of 5 percent when it is their turn to retire? That is one of the proposals we confront today.

Is it equitable or responsible to expect future employers and workers to contribute more and more of their payroll to cover yearly deficits that, under current law, are expected to reach \$10 trillion by the year 2052? That is another proposal before us today.

I say that the Pickle amendment is the most responsible choice of the alternatives before us to complete the reform package which we send to the Senate. Raising the retirement age by

an average of 1 month per year is an honest way to deal with an inescapable fact: The U.S. population is aging.

The current social security problem is before us precisely because people have changed. It would be foolish for us not to admit that the system needs to be changed to meet changes in the population. ●

● Mr. BIAGGI. Mr. Chairman, I rise to express my opposition to the amendment sponsored by the distinguished chairman of the Social Security Subcommittee, Mr. PICKLE, to raise the retirement age to 67 as a main means of guaranteeing the future solvency of social security.

I oppose this amendment for several reasons, not the least of which is that fact that we should not be adopting this radical approach at this time. We have before us a comprehensive enough bill in H.R. 1900, with its \$165 billion in new revenues for social security ostensibly to keep the system afloat through 1990 and beyond. To add yet another difficult feature to H.R. 1900 seems to go far beyond what we must do today.

Yesterday, the House Select Committee on Aging, on which I am proud to be an original member, conducted a hearing which focused in great measure on the issue of raising the retirement age. At that time I raised the point that increasing the retirement age and justifying it by the fact that people are living longer overlooks a central issue. Just because people live longer does not mean that they are able to work longer. At this point a startling 74 percent of those exercising early retirement under social security must do so for reasons such as poor health. Will this percentage decrease that dramatically in the next two decades? I doubt it. Therefore, why do we assume it by raising the retirement age.

A second concern I have I can state very simply. If we raise the retirement age we may be seeing one of the first examples of our Nation legislating discrimination. It is a documented fact that the minority aged live fewer years than do their white counterparts. Therefore, raising the retirement age does not afford all aged persons equal protection under the law.

Finally, Mr. Chairman, I oppose the Pickle amendment because it once again places Congress in the position of cutting social security benefits. There should be other approaches explored before we take a step such as proposed in the Pickle amendment. ●

● Mr. ROTH. Mr. Chairman, I rise in opposition to yet another attempt to restrain the Members of the House from expressing the views of their constituents on this historic legislation. We will take actions today that will impact on future generations of Americans. Provisions of this bill will shape the workplace and the lifestyle of workers and retirees well into the next century.

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To allow us to debate two amendments to one title of this bill suggests the imposition of a gag on the Members. To imply that the only provisions of the bill subject to significant difference of opinion or controversy are those in conjunction with one aspect of the long-term financing problem for the social security program borders on the ridiculous.

Like many of my colleagues, I have the benefit of the views of my constituents: Small business men and women, farm families, rural mail deliverers and urban postal employees, retirees, the employed, the self-employed and the unemployed. All suggest that this may be nothing more than another omnibus tax bill. Indeed, 75 percent of the solution comes from increased or new taxes.

Restricting the income of those already retired instead of addressing the mismanagement and abuse of thousands of annuitant checks is grossly unfair. How can we deny the timely payment of the COLA to the elderly couple solely dependent on their social security check while paying the prisoner, the illegal alien, foreign-born survivors or dependents of December-May marriages who have never even lived in this country, and people who died a dozen years ago.

Many of us are all too aware of the lack of statistical and factual data available regarding social security programs and beneficiaries. Many question if expertise exists to untangle the seemingly endless array of misinformation. The programing necessary in response to baby boom annuitants is mind boggling. However, a March 4 Social Security Administration Office of the Actuary memorandum commenting on the effects of this proposal states:

... that the bill would not offer assurance that the OASDI program would operate satisfactorily under adverse economic conditions ... it cannot be said the H.R. 1900 would assure the financial soundness of the OASDI program during this decade.

It is my conviction that the proper course of action today is to take the time to review each provision of this bill. We should not deny the representatives of the people the opportunity to express their views. In candid and open debate, we will not only better appreciate the work of the Commission and the committee but also pursue the potential of perfecting the solution. We owe this to our constituents and to ourselves. Thus, I urge my colleagues to vote against this rule which refuses our right to a full debate on this vital legislation.

● Mr. CHANDLER. Mr. Chairman, I am supporting today the Social Security Amendments of 1983. In July of this year, the old age and survivors' insurance trust fund will be unable to pay monthly benefits. Complicating the issue further are the indications that if the compromise package falls apart, it would be impossible to find a solution to this imminent problem. We

are, therefore, faced with the decision head-on.

I have pledged to maintain the social security system as I believe it is a workable program. Any solution must maintain equity while restoring confidence to the public of the future solvency of the system. Therefore, I have been a supporter of the provision that Members of Congress be included in the compromise package.

While I cannot agree with some provisions in this legislation, I think we must face reality that action must be taken and, on the whole, the compromise represents those components necessary for a workable social security program. I feel certain that any solution will be unpleasant medicine to swallow for someone. Indeed, I have received scores of letters from retirees who feel it unfair to tax a portion of their benefits and to slow down benefit growth. Federal workers do not want new Federal employees to be covered under the social security program because they fear it will affect their civil service retirement fund. I have heard from the self-employed who are asked to pay combined employer-employee FICA taxes. Sacrifices are being asked because action is needed to keep the social security system functional.

This compromise package is not a cure-all for the ills of the social security program. The threat of long-range insolvency remains as the baby boom generation ages, lives longer, and has fewer children. I am concerned with the tremendous dependence on taxes and general revenues in the compromise package. Workers who have received less pay increases and who have found it harder to meet their obligations in these difficult economic times are being subjected to increased FICA taxes. Life expectancy has increased and as our country continues to change demographically with more and more elderly, I cannot, in good conscience, place further burden on our children. Therefore, I support Mr. PICKLE's amendment for the gradual increase of the retirement age in the next century.

I commend the National Commission, the President, the Speaker, and the Ways and Means Committee for their fine work in structuring this compromise. The decisions have been difficult. I have approached this undertaking with a sense of compassion and a hope of equity. I believe that this compromise provides a workable solution. ●

● Mr. BEILSON. Mr. Chairman, I support the social security bill before us today, and I commend the Ways and Means Committee for acting on the National Commission's recommendations in a timely manner. However, there is one provision in the measure before us which troubles me greatly—the provision to take social security off budget in 1988.

The off-budget provision is one that has largely escaped the House's atten-

tion in the course of our deliberations over raising taxes and reducing benefits under social security, but it is a matter we should all be aware of because it will affect the decisions we make about social security and about other Government programs in the future. It will also determine whether we are going to have an honest Federal budget or whether, for budgetary purposes, we are going to pretend that more than one-quarter of Federal spending and revenues is nonexistent.

If social security, including the medicare trust fund, is taken off budget in 1988, the size of the Federal budget will be understated by about \$300 billion. Congress will not be in nearly so good a position as it is now to consider Federal spending as a percent of the economy. Nor will we be able so easily to directly compare similar programs, such as medicare and medicaid. Nor will we have a valid comparison of different components of Federal spending—for instance, we would not be able to compare out total outlays on entitlement programs with our total outlays on defense. The size of programs remaining on budget will show up as a larger percent of Federal spending than they actually are. And, the total tax burden on citizens will appear to be less than it actually is, and less regressive than it actually is.

Taking social security off budget is poor policy for other reasons. Insulating social security from budgetary pressures will leave other entitlement programs more vulnerable to cuts because we will have to direct our efforts to reduce the deficit at programs which are left on budget. That deficit will be artificially large because we will not have the surplus in the social security trust funds to help offset spending in other programs. The likely result is that there will be more pressure to cut spending, and that pressure will be unevenly applied; that is, there will be a lot of pressure to reduce medicaid, for instance, but little or no pressure to reduce medicare.

Finally, giving social security off-budget status sets a bad precedent. It opens the door to giving off-budget status to other trust funds, such as the highway trust fund. If Congress is serious about having a budget system in which spending programs can be compared for purposes of setting priorities, allowing off-budget status for certain programs undermines our effort to do so.

If the Senate does not approve off-budget status for social security, I strongly urge that the House conferees drop that provision in conference. ●

● Mr. RICHARDSON. Mr. Chairman, the essence of a compromise is a piece of legislation that nobody really likes. This social security package, therefore, is the quintessential compromise because there are two provisions that I find distasteful personally and on behalf of the people of my district.

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First, I believe the provision requiring all new Federal employees to be included in the social security system next year is unwise. I am deeply concerned that the absence of new contributions for the civil service retirement system could seriously cripple that system during the next 40 years. If that happens, I am certain that the American taxpayer will be called upon to provide the revenues necessary to pay Federal retirement benefits.

The civil service retirement system is the crown jewel of the Federal employment system. During the past 2 years of Republican assault of the civil service, it has been the one thing Federal employees have been able to cling to. I think this program should remain as it is today: Healthy, viable, and solvent.

Second, I think the provision for delaying the cost-of-living increase for 6 months is unfortunate. My district is largely rural, sparsely populated, with high unemployment. The senior citizens of my district depend on social security for their economic survival. Asking them to forgo their COLA increase in the face of rising energy and health costs is a sacrifice that I find somewhat excessive.

But, Mr. Chairman, I am fully aware that it is critical that the social security system be kept solvent. Each of us must swallow hard and accept this compromise, even though there are portions that each of us dislikes. I, therefore, will vote in favor of the compromise. But in doing so I want my colleagues to understand that I will fight with every resource available to insure that those senior citizens who are being asked to sacrifice under this proposal are not hurt further under this administration's budget for the coming fiscal year. ●

● Mr. DANNEMEYER. Mr. Chairman, during the debate on the rule for H.R. 1900, the Social Security Act Amendments of 1983, earlier today, I voiced my deep concerns about the adverse impact of the heavy reliance on payroll taxes upon intergenerational conflict in our society. This could very well occur as a result of the heavy use of payroll taxes and other revenue raising provisions to bridge the short-term and long-run shortfall currently projected for the social security trust funds.

In this connection, I would like to share with my colleagues the views of Peter Peterson, the former Secretary of Commerce who is now the chairman of the board of the investment banking firm Lehman Brothers Kuhn Loeb, Inc. He wrote a length analysis of social security which appeared in two parts in the *New York Review of Books* (December 2 and 16, 1982, issues). The March 1983 *Reader's Digest* carries a condensed version, which I would like to include as an insertion at the end of these remarks.

Peterson, correctly in my opinion, warns us of the social implications of a failure to enact long-term reform that

is fair to citizens of all ages. The condensed version ends by noting that:

The only alternative to reorganizing Social Security is to sit by while the system collapses, either through a revolt of young taxpaying workers against their elders or through a catastrophic flood of deficits. Maintaining the status quo is impossible, an utter fantasy which will visit upon our children the same conditions of economic chaos that attended the birth of Social Security.

Peterson's thoughts on this subject, and his own views on possible alternatives, are worthy of our greater scrutiny and attention.

The following material was submitted for the RECORD:

[From the *Reader's Digest*, March 1983]

CAN SOCIAL SECURITY BE SAVED?

(Like all chain-letter schemes, our Social Security system has grown and grown until—horror!—bankruptcy is imminent. Yet there is a way, says the author—without raising taxes, without sacrificing the needy—to put the whole mess on the track toward solvency.)

(By Peter G. Peterson, condensed from *New York Review of Books*)

Social Security, by far our biggest government social program and long sacred in U.S. politics, today threatens our entire economy. Yet in the 1982 election campaign practically all the candidates promised to "preserve Social Security," to "resist any cuts in benefits" and to "protect the elderly poor." No one dared to say that without major reforms—including "cuts"—the system is heading for a crash.

We cannot permit this to happen. Though in effect for only two generations, Social Security has such uniform and reverential support that if the system crashes, so almost certainly will civic harmony and the economy itself.

In the past few years, we have witnessed a revolt against both the burden of rising federal taxes and the binge of spending that made those taxes necessary. In many ways, Social Security is the prime mover of both. The system—which spent over \$190 billion in fiscal 1982—has grown from just under 2 percent of the federal budget in 1950 to 26 percent today.

How did we get into this mess? First, Congress has raised the initial benefit levels for newly retired persons by nearly 50 percent during the past 15 years. Second, Congress indexed all benefits to the consumer price index (CPI)—whose increases have routinely exceeded the real-wage increases of taxpaying workers. Third, medical-care costs have been climbing much faster than the CPI over the last decade. Fourth, increasing numbers of elderly people are living longer; average life expectancy at age 65 is today one-third longer than it was when Social Security was first enacted (16.6 years as against 12 years)—and it is still rising. Finally, the elderly are leaving the labor force to cash in on Social Security earlier and in greater numbers than ever before. In 1950, 46 percent of men 65 or older were part of the labor force; by 1980, this had dropped to 19 percent.

Thus the Social Security system has become a high-risk bet by today's workers that their children and grandchildren will be rich enough and numerous enough to foot the bill for yet another round of generous retirement benefits.

But it won't happen. Shortly after the beginning of the next century, the baby-boom generation will begin to retire, and all the demographic variables that once helped revenues will then come crashing down on the

side of costs. Today there are about 30 Social Security beneficiaries for every 100 taxpaying workers. By the year 2050 there may be as many as 78 beneficiaries. At that point the system would have to absorb over one-half of the nation's taxable payroll just to break even.

If Social Security is to be saved, several myths—fantasies, really—that hide the system's problems must give way to informed debate.

MYTH I

Social Security's problems are minor and temporary. Events are rapidly undermining this myth. Last November the system's retirement fund had to borrow from the disability fund—the first such borrowing in the history of Social Security. By late 1983 the disability fund will run out of money to lend—even if its "temporary" lending authority is extended. Like drowning swimmers, both funds will have to reach out to grasp the third fund, the hospital-insurance fund, which is itself sinking fast. Unless the economy undergoes a miraculous recovery, providing vast new payroll-tax revenue, all three funds—the entire Social Security system—will run out of money sometime in 1984 or 1985.

Such imminent bankruptcy does not bother many public spokesmen, who argue that deficits in the late 1980s will be compensated for by a period of surplus years between 1990 and 2010. Even the long-term problem, they believe, isn't too worrisome.

This sort of analysis drastically understates the crisis. It ignores over two-thirds of the problem, the huge projected deficits of our hospital-insurance fund, Medicare. This fund alone—even on the basis of the government's "intermediate" forecast—is projected to run deficits that will be more than twice as large as the combined deficits of the retirement and disability funds. Also, I believe that assumptions underlying the intermediate projections are unrealistic. They assume that unemployment, which has averaged 5.7 percent since 1960 and is rising, will fall to 5 percent by 1995; that real-wage growth, which has averaged 0.7 percent since 1960 and is falling, will rise to 1.5 percent; that increases in the life expectancy of the elderly—even in the face of revolutionary medical advances—will come substantially slower in the future; and that women, in the face of fertility rates that have been declining since the late 1950s and bottomed out in 1976, will start having significantly more children (about 15 percent more than currently). For each assumption that goes wrong, the long-term deficit of Social Security will grow larger.

Should we really gamble the future of our Social Security system on such optimistic assumptions? I believe it far more prudent to base our policy on the less rosy of the two official intermediate forecasts. Then, in the happy event that the "pessimistic" assumptions prove wrong, we can always lower future payroll taxes or increase benefits. This would be a far easier pill to swallow than the repeated tax increases or benefit cuts that would become necessary between now and 2035 should the worst-case scenario come about.

MYTH II

It is "my money." Many retired couples believe they have a "contract" with the government to get back "their" money. They feel "entitled" to these benefits by right. Proposals to take any of them away are considered unjust.

This view bears little relation to reality. Consider a 65-year-old man who retired on January 1, 1962, who paid Social Security taxes during his entire working career, and

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who was an average wage earner. He contributed a total of \$7200 in payroll taxes. Using pessimistic estimates of longevity and inflation, he and/or his nonworking spouse will receive (during the 25 years at least one of them can be expected to live) some \$520,000, or 72 times what he contributed (30 times the value of his contributions plus interest).

As long as retirees receive benefits so widely out of proportion to their lifetime contributions, the system will remain fundamentally out of balance. It's like a giant chainletter scheme, in which everyone is supposed to win. But, of course, everyone can't win—unless there's an impossible acceleration in the number or wealth of new players.

MYTH 3

The elderly are, by definition, needy. Unwavering support for the Social Security status quo is often considered a test of one's social compassion. Yet in mean per-capita income—adjusted for family size and including all sources of income—old people are actually doing better than people under 65. During the 1970s, in fact, the real average income of the elderly rose more than that of the general population.

Income averages can be deceptive, of course, and some elderly people are indeed very poor. How well directed is Social Security to meet the problems of these people? In fact, most benefits do not even go to those below the poverty level. Social Security is in many ways a middle- and upper-income program; it has become a political sacred cow not because of a humane concern for the poor but because of a political reluctance to impose fiscal restraint on middle- and upper-income voters.

According to the 1980 census, the aged below the poverty line received only 11 percent of Social Security benefits. By contrast, beneficiaries with incomes in excess of three times the poverty level received about 30 percent of benefit payments.

The total Social Security outlay for such relatively well-off families is more than the combined outlays of our major need-related welfare programs. I do not see how the claims of social fairness are met by holding inordinate what amounts to welfare for the well-off.

MYTH 4

People are physically unable to work beyond age 65. Untrue. Indeed, there is evidence that continuing to work at a reasonable pace contributes to better health. And polls show that a remarkable 79 percent of workers nearing 65 would like to continue working, at least part-time. The fact that relatively few do is obviously related to the disincentive to work built into the Social Security program: for retirees aged 65 to 69, each dollar of earned income (wages) over \$6000 a year cuts Social Security benefits by 50 cents.

Three principles should, in my view, underlie Social Security reform. First, we must recognize that raising payroll taxes once again is not a solution. To close the deficits in the Social Security system under a conservatively pessimistic projection could require a rate of about 44 percent of taxable payroll by 2035. This simply is not going to happen. Working people will not accept it. The economy could not absorb it.

Second, we must avoid deficits in the long term. We are hearing much about "temporary" transfers from general revenues to "solve" Social Security deficits. But as Sen. Russell B. Long (D., La.) put it, "There is no such thing as general revenues. Only general deficits."

Third, any reform should be equitable between generations and should seek to protect the neediest.

To build a program that assures financial solvency, without additional taxes, and satisfies the requirements of equity, I propose: Freeze cost-of-living adjustments (COLAs) for at least one year—except to those with the lowest wage histories. This would make up for some of the increases that occurred between 1970 and 1981 because benefits were tied to the CPI. During that period, COLAs were too high by 10.8 percent compared with those measured by a more accurate inflation index, the personal-consumption deflator. Through fiscal year 1984, a freeze could save as much as \$13 billion.

Limit future COLAs after the freeze is over. Automatic adjustments in labor contracts have historically equaled about 60 percent of the CPI increase. Holding Social Security COLAs to 50 percent would go a long way toward ensuring the system's solvency. Annual savings could reach \$21 billion by 1986.

For those of our aged and disabled who qualify for welfare benefits under Supplemental Security Income (SSI), the loss in regular Social Security income would be made up dollar for dollar with higher SSI benefits. We must continue to provide adequate benefits for the poorest.

Tax all benefits received in excess of contributions. For every other retirement program, any benefits received in excess of employee contributions are subject to federal income tax. It's unclear why this principle has never been applied to Social Security. Taxing benefits this way would have no perceptible effect on those of the aged who are in serious need; their incomes are not large enough to be subject to income taxes.

Selectively lower initial benefits for retired persons. Currently, when someone reaches retirement age, the lifetime monthly earnings on which he paid Social Security taxes are calculated in current dollars, or indexed, and then averaged. If single, in 1982 he would have received 90 percent of his first \$150 in average monthly earnings, 32 percent of all average monthly earnings between \$150 and \$1005, and 15 percent of average monthly earnings above \$1005. We could cut future benefits, and still protect the poor, by lowering the 15-percent figure, or both the 15-percent and 32-percent figures, which apply to upper- and middle-income categories only.

Raise the retirement age by at least three years, to 68. Adding three months per year starting in 1990 would significantly improve the long-term financial status of the system. To protect the poorest elderly, I suggest not raising, and perhaps even lowering, the eligibility age for SSI, as well as increasing SSI benefit levels.

Bring civil-service workers into Social Security. The current retirement system for federal employees is 2.5 to 3 times more generous than are pensions for private workers. While cashing in on these generous early-retirement benefits, over 70 percent of government pensioners launch second careers that make them eligible for Social Security as well. Thus, a program of reform of Social Security should include federal employees only if it is part of a comprehensive reform of both Social Security and the bloated federal employee-retirement system.

Reform Medicare and reduce medical-cost inflation. Medicare is the fastest-growing part of Social Security. Between 1972 and 1982, outlays for the hospital-insurance fund increased from \$4.5 billion to \$25.7 billion, three times as fast as the GNP. Prospective costs are immense, especially in view of the substantial increase in the number of people over 65 and the emergence of new

measuring technologies. Thus, the entire structure of Medicare needs reorganization, with emphasis on cost-reducing incentives—increased deductibles, co-payments, voucher systems, some taxing of employer contributions to medical benefits, negotiated rates, etc.—to both suppliers and users of medical services.

By conventional political standards this program of reform may seem impossible. Republicans and Democrats have both shared in the decisions that turned a sound program into a vast scheme of welfare for relatively well-off citizens. Politicians—both Republican and Democrat—remain convinced that any party proposing serious reform will face annihilation at the polls. Reaction may therefore seem to constitute smart politics for a few more years.

But were the system to come crashing down, smart politics will be small consolation. Indeed, Social Security reform poses one of the deepest challenges to democratic politics in our history. It is a challenge above all to the middle- and upper-income citizens who largely determine the course of public policy and to whom the system dispenses a big share of its welfare, stealing capital from tomorrow's citizens—our children—and making cuts in government programs to the poor irresistible.

The only alternative to reorganizing Social Security is to sit by while the system collapses, either through a revolt of young taxpaying workers against their elders or through a catastrophic flood of deficits. Maintaining the status quo is impossible, an utter fantasy which will visit upon our children the same conditions of economic chaos that attended the birth of Social Security. • Mrs. COLLINS. Mr. Chairman, today, my colleagues and I are called upon to cast our vote on the single most important issue to face us this session—social security.

It is with deep regret that I rise in opposition to the Social Security Act amendments as reported by the Ways and Means Committee. After careful and painful analysis, I have concluded that these provisions are neither fair nor responsible, and enactment, could only serve to further erode the confidence of the American people in the social security system.

The delay in cost-of-living adjustments is an unacceptable provision that would place intolerable hardship on social security beneficiaries. No equitable solution can deny the funds designated to offset inflation from recipients, many of whom count on social security as their sole source of income.

I also reject the inclusion of newly hired Federal workers into the system. While this would provide an immediate cash injection, the system would shortly face recurring financial problems as Federal employees start to collect benefits. In reality, no meaningful structural changes are established with the inclusion of Federal workers into the system. Additionally, one important incentive to attract qualified people into Federal service would disappear if the civil service retirement system atrophied.

Because it would place unfair burden on the individual, I do not support raising the age of retirement or the reduction of the basic benefits re-

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ceived by the retired worker from 42 percent to 40 percent of previous monthly gross pay at the time of retirement as scheduled to be phased in from the years 2000 to 2008.

It is incumbent upon Congress to innovate new and relatively painless sources of income to help fund the Old Age Survivors and Disability Insurance program. I have recently reintroduced H.R. 85, the "National Social Security Lottery Act," which would establish a national lottery similar to the Irish Sweepstakes. If the Irish can fund their hospitals through a lottery, we should be able to help fund social security in the same manner. It is estimated that a national lottery could gross upwards of \$25 billion over the next 7 years, the period of time the Commission addressed in their short term proposals. This would significantly lessen the number of unpopular compromises that would otherwise be necessary to keep the system solvent. A national lottery, however, is no panacea. Other avenues must also be explored in an effort to identify new sources of income. I urge the Congress not to act hastily. The outcome of this vote will shape the financial futures of millions of Americans. ●

● Mr. BIAGGI. Mr. Chairman, the hour of decision has finally arrived. We stand on the threshold of a historic decision affecting the lives of some 36 million of our citizens. The hours and days and months of wrangling over what approach to take to aid the social security system are, for all practical purposes, over, for we have before us today, H.R. 1900, the Social Security Reform Act of 1983.

With the passage of this bill today, Congress will have administered to itself a stiff dose of castor oil—bitter medicine necessary to effect a cure to the ailing social security system. This bill has been properly designated as a bipartisan compromise package. However, as anyone in Congress knows, compromises by their very nature are imperfect, and H.R. 1900 is no exception.

As I stated earlier during the debate on the rule governing consideration of this bill, H.R. 1900 would be a far better document were more Members of Congress able to shape it. The rule we are operating under provides for separate votes only on two amendments, both of which deal with the longer term financing issues related to social security. As far as the issues affecting social security in the shorter term—as far as what comprises the \$165 billion package before us—we have no opportunity to do anything but ratify or reject the entire package. Both routes are fraught with peril. However, I would emphasize the fact that the latter route is far more dangerous, for our failure to adopt a package along the lines of H.R. 1900 could result in the collapse of social security, to which none of us would want to be a party.

The facts are that social security is a system that is in the worst financial trouble in its more than 40-year history. The reasons are many—but very few do we have any real control over. One, of course, is demographic—social security as the "pay as you go" system is financed through taxes paid by both employers and employees into three trust funds. In the early days of social security, the ratio of contributors to beneficiaries was a healthy 5:1. This ratio has now slipped to just over 3:1, and based on current demographic projections could drop to a dangerous 2:1 by the year 2000. Further, none of us could anticipate the tremendous fluctuations in economic conditions which have been a part of this Nation over the past 10 years. In 1972, I supported the legislation which provided social security beneficiaries with a once-a-year cost-of-living increase. One could not expect the rampant inflation which raged through our Nation in subsequent years—yet it occurred, and under the law, social security benefits were to be raised according to the Consumer Price Index. There is little doubt that this, too, adversely affected the financial picture of the social security system, yet we were on sound footing in trying to provide our senior citizens with some protection against inflation.

Finally, as we move closer to the economy of today, now the impact of the recession is being felt on the social security system as well. One particular consequence is our high unemployment rate; today, we have more than 11 million people out of work. Many of these people could be contributors to social security, yet, instead, they are idle. The impact of high unemployment combined with demographic changes has done a great deal to put social security in the dangerous financial condition we face today.

As an illustration of how serious social security's problems have become for the past several months, the system has been forced to exercise its interfund borrowing authority provided to it by Congress. Under the proposal, this will insure the timely payment of benefits through July. This legislation will take care of the benefits after that date.

What we have before us is a balance of benefit reductions: Tax increases, limited use of general revenues, and expansion of coverage under the system. It is a delicate balance, at best, but obviously the whole is more acceptable than the sum of its parts.

I wish to address some of the features contained in this legislation. Let me begin with the proposal which will provide the greatest amount of new revenue for social security but which will cause the greatest hardship for people presently enrolled in social security. I refer to the proposal to delay for 6 months the 1983 cost-of-living increase for the 36 million Americans on social security. Under this legislation, the 1983 increase would actually be in

the January 1984 benefit check and all subsequent COLA's would be paid in January. The Committee on Ways and Means is to be commended for adding a very important provision guaranteeing that at least a 3-percent COLA will be paid in 1983-84 even if the CPI should not be at the 3-percent level.

However, there are powerful human problems associated with this provision. For an estimated 26 percent of the 36 million people on social security, this represents 90 percent or more of their income. H.R. 1900 is asking these people to go 18 months without an increase in their social security check. This does not take into account that almost all of these people have suffered from increases in some essential staple of their lives whether it be rent, heat, food, or medical care. We know that inflation has decreased substantially, but it has by no means disappeared altogether. What about the low-income seniors who have the misfortune to heat their homes this winter with natural gas—and were unable to get assistance from the Federal Government? What about the senior citizens who budget for the COLA in July—and suddenly realize the increase will not come until January? What essential will they have to go without during the balance of this year?

It is not easy for those of us who have worked so hard and voted for bills to preserve the integrity of the social security system to swallow a provision which constitutes a permanent reduction in social security benefits. These past 2 years have been difficult in that we have had to accept legislation which calls for the first reductions in benefits in the history of social security. In 1981, it was the minimum benefit payment which was cut off under the terms of the Budget Reconciliation Act. Through efforts of myself and others, the decision was partially reversed when Congress voted to restore the benefit for those currently enrolled, but barred the benefit for new beneficiaries. In that instance—much like the so-called "diet COLA"—it is the low-income senior who gets hit the hardest. For some, corresponding increases in SSI benefits provided as part of this bill may help to offset the hardship of the delayed COLA. However, it is by no means a substitute for it, and for many low-income seniors who fail to qualify for SSI, the problem becomes that much more acute.

One final point relative to the COLA delay—it seems hard for me to understand why it is necessary to implement this at a time when inflation is down drastically, therefore the size of the COLA would be far reduced from previous years and the amount this would cost the system would be far less than in previous years. Delaying the COLA until January will pose many problems—that is for certain—but having future COLA's paid in January instead

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of July and having the future formula after 1988 begin either the increase in the CPI for the last quarter of each year, or the increase in average wages, whichever is lower does throw into serious question our commitment to maintain the policy we began some 10½ years ago to provide seniors with adequate protection against inflation. I would state, as I have to my constituents in New York, if we were given an opportunity for a separate vote on this issue, I would have voted against a delay in COLA's.

Similarly, I am strongly opposed to the provision mandating social security coverage beginning in 1984 for all new Federal and postal workers and a host of other governmental employees. My opposition is based on a simple cost-benefit ratio principle. The most which this "universal coverage" provision could provide to social security would be some \$12 billion. I would note that this is considerably lower than the \$20 billion estimated by the Social Security Commission. The respected president of the National Association of Letter Carriers, Vincent Sombrette, contends it will only provide \$6 billion for social security. Whether it be 6 or 12, this is not enough of a benefit to balance out the excessive costs which this provision will produce. First and foremost, based on current projections, putting new Federal and postal workers under social security will simply bankrupt the civil service retirement system in about 20 years—something which could cost the Government \$185 billion, which I might point out is more than this entire bill will produce in new revenues, let alone the provision bringing in new Federal and postal employees.

I am confident that the distinguished chairman of the House Post Office and Civil Service Committee, BILL FORD, will initiate proceedings in his committee, which is responsible for this retirement program, to insure that a supplemental system is put into place. In my capacity as a senior member of the House Select Committee on Aging, I intend to do all that I can to assist Chairman Ford and other concerned Members of Congress in developing long-term protection for these Federal workers. They are entitled to equal benefits under social security that they would have received under their own retirement plan and I am confident that Congress will respond in timely fashion to insure that this happens.

Finally, let me add, as a former postal worker and current Federal employee—from the managerial sense—it is ludicrous to legislate in a way that produces divisiveness among Federal and postal employees. It is irresponsible to legislate in a way that produces different retirement systems for people doing the same type of work. It is wrong for Congress to pass legislation which will lower morale among Federal and postal employees. Finally,

it is wrong the way we are legislating this major change in law today. There should have been a separate vote on an issue of such profound importance to the lives of millions of Federal and postal employees. They have not been afforded democracy.

Another provision that I have some serious reservations over is the provision to impose a first-time tax on social security benefits. Again, to the credit of the Ways and Means Committee, certain adjustments were made from the original proposal of the Social Security Commission, but in reality, we are violating a principle here. Social security recipients paid taxes on each and every paycheck they received in their working years—taxes which were earmarked for the social security trust funds. These were to be used by the worker to help finance a secure retirement. It was not paid with the expectation that they would be forced with another tax when they were begun to be applied to their retirement. Yet that is what we are proposing with this bill today.

H.R. 1900 proposes that benefits would be taxed only for those recipients whose taxable income (excluding social security) plus one-half of their social security benefits exceeds a base amount. This base would be \$25,000 for an individual and \$32,000 for a married couple. Further, the amount of social security benefits that would be taxed would be the lesser of one-half of the excess of the taxpayer's combined income over the base amount or one-half of the taxpayer's social security benefits.

As I mentioned earlier, the Ways and Means Committee did make some important improvements in this provision—perhaps the most important of which is eliminating the so-called "notch" problem which would have caused people with incomes just over the threshold to pay a disproportionately high tax compared to the person well above the threshold. By allowing the tax to be applied to the amount by which a taxpayer's income exceeds the base amount alleviates this problem and institutes more equity into this process. Let me also add that I am pleased that this legislation mandates that all revenues raised from this tax be applied directly to the social security trust funds.

While it is estimated that only 7 percent of current beneficiaries will be affected by this provision, it does represent a radical departure from the history of social security. In addition to it being a first-time tax on social security benefits, it promises to affect more and more people each year because the thresholds are not indexed. There is a great deal of inequity associated with this particular proposal. Let us assume you are an elderly person who has elected to invest or save wisely for a comfortable retirement after years of hard work. Just as you reach this point in life—or in some cases while you are enjoying the fruits of your

labor—a new tax is imposed on you by the Government.

I believe the provisions in this legislation accelerating the timetable for payroll tax increases passed by Congress in 1977 is far preferable to increasing them further between now and the year 1990. While it will be difficult for some to assume these increases under the timetable provided in this bill, there is sufficient time provided for people to plan for them. Over the history of the system, it has been the payroll tax which has provided the foundation of funding for social security. In the past decade, it has presented far more of a burden than in previous years, and H.R. 1900 strikes an effective balance in this area and I am in support of the language regarding the acceleration of the payroll tax increases.

I have some concerns about the impact of the provision in this bill which will raise the payroll tax rates paid by self-employed persons. Under present law, the self-employed pay retirement and disability taxes at a rate equal to about 75 percent of the combined employer-employee tax rate, while only about 50 percent of this rate for the medicare hospital insurance taxes. Under H.R. 1900, the self-employment tax for all three trust funds would be raised to 100 percent of the combined employer-employee rate. However, in another example of how the committee improved upon the Commission's recommendation, they helped soften the impact by allowing the self-employed a credit against their new self-employment tax rate amounting to 2.1 percentage points in 1984 and 1.8 percentage points over the period from 1985-87 and 1.9 percentage points for 1988 and beyond.

Clearly, like so many other provisions in this bill, a great sacrifice is being asked of a particular segment of people—in this case, the self-employed. Here we are in some ways rectifying a situation and bringing some degree of equity to the way payroll taxes are assessed. However, again like in so many other provisions in this legislation, we are asking too much too soon. There should be some degree of phase-in of provisions like this which so affect the economic fortunes of working people in already difficult economic times. The self-employed person—especially the small businessman—is being adversely affected already by a number of economic factors. H.R. 1900 asks for one more.

Let me now address several provisions in the bill for which I can claim some degree of responsibility. The first has to do with the provision reimbursing the social security trust fund for the full value, including interest, of uncashed checks. It was disclosed in hearings before my Aging Subcommittee in 1981, that while social security checks are drawn from the trust funds, if they should not be negotiated for whatever reason, the full value in-

cluding interest accrued on the check is credited to the General Treasury, not the trust funds from where they were originally drawn. This has caused social security to lose an estimated \$500 million over the life of the system and it could lose another \$30 million over the next 3 years unless the law was changed. Under this bill, the trust funds will be compensated for the full amount they are owed by the General Treasury for uncashed checks. Further, the bill contains provisions which would presume a check to be uncashed after a more reasonable time than is presently the case. This is an important administrative reform which I had advocated, as evidenced by my authorship in the 97th Congress of H.R. 4003.

A second provision of this legislation which I helped to shape has to do with stemming the flow of people who are leaving social security. Last year, I sponsored H.R. 6356, and H.R. 475 in the Congress, to impose a 5-year moratorium on persons withdrawing from social security while also mandating that new nonprofit employees be covered under social security. My bill also would permit those entities that did withdraw from social security to return, which is not an option under current law.

What H.R. 1900 provides is the following: It bars State and local governments from terminating social security coverage for their employees if the termination had not taken effect by the time the measure is enacted. It also allows State and local governments that have previously withdrawn from social security to voluntarily rejoin. Further, the bill before us extends social security coverage to employees of all nonorganization's charitable groups—private schools and universities, and hospitals—and requires all of these organizations and their employees to begin paying social security taxes, effective January 1, 1984. This applies to all employees, not just newly hired. The bill does provide that people aged 55 and over would qualify for social security coverage with fewer quarters.

I commend the Social Security Commission and the Ways and Means Committee for addressing this very serious problem. At the beginning of this year, the entire city of Los Angeles—more than 100 counties—left social security. The Social Security Administration has applications pending which, if not stopped, would result in more than 400,000 additional employees leaving social security. If the system is already reeling from the effects of a shrinking ratio of workers to beneficiaries, to permit upwards of 400,000 contributors to leave the system simply and unnecessarily exacerbates this situation.

Briefly, some final points about the social security provisions of this bill. I regret that there is not stronger language governing the use of general revenues for social security. There are

a number of us over the years who have believed that limited general revenue financing was needed in social security. One approach was the one-third, one-third, one-third approach, advocated by our distinguished former colleague, Jim Burke of Massachusetts. Another would be to have the disability insurance and hospital insurance funds funded under general revenues. None of this has come to pass either in the Commission's report or the bill before us. Instead, we have somewhat general language saying that if—and only if—we have a serious decrease in available reserves, would funds from the general revenues be used but these must be paid within 2 years. The bill does provide for an extension of interfund borrowing authority through 1987 which is of obvious importance once we realize how the OASDI fund has paid its benefit checks these past several months.

Finally, I commend the Commission and the committee for including language which will improve the investment policies of the trustees. The main improvement is that, under the bill, trust funds could be invested in short-term as well as long-term Treasury securities. This should help the all-important rate of return on the investments which has been seriously lagging and, according to a report issued by the Community Service Society of New York, has cost the trust funds some \$14 billion.

There are other important provisions in this bill which I would like to mention briefly. H.R. 1900 while delaying the cost-of-living increase until January, as in social security, does provide a one-time permanent increase of \$20 per month for all individuals and \$30 for all couples receiving SSI benefits, effective in July. The bill also prohibits States with their own SSI programs from lowering their benefits in order to offset the increase in Federal benefits, thus insuring that every needy SSI person in every State receives this increase. SSI people are truly the poorest of the poor in our Nation and this increase is desperately needed for them to eke out a basic existence. It is long overdue and I fully support it.

The bill extends for 6 months the emergency Federal supplemental compensation program. The need for this is as obvious as anything we could do up here. As unemployment increases both in terms of absolute numbers and duration, we must take steps to keep those unemployed from being thrown any further or deeper into poverty. As it stands now, many of our Nation's unemployed have or are about to exhaust their unemployment benefits—their lifeblood, if you will. Many have already lost their health benefits, causing tremendous apprehensions that a serious illness could lead to financial ruin. We have an obligation to provide extensions of unemployment benefits for as long as it takes for full

economic recovery to be translated into more people working.

Finally, let me convey my tentative support for the provision in this legislation introducing a new prospective reimbursement or payment system for medicare hospital insurance. It seeks to attack the excessive cost problems of medicare at the root cause—excessive hospital and physician rates.

The 1982 tax bill required the Department of Health and Human Services to come forth with a program to address the escalating drain on the medicare trust funds. This prospective payment plan is it. Prospective reimbursement, when properly implemented, is a viable alternative to cost containment as it pegs actual costs to average costs of a given region. This legislation rightly sets two variable rates for reimbursement of hospitals, one for urban and the other for rural. However, given the fact that health care costs have been disproportionately borne by the elderly over the past 2 years, we have to insure that any such system is sensitive to those on fixed income who could be forced to pay a greater share of their income under such a payment plan. In other words, we do not want to pass along those costs not reimbursed by the Federal Government to beneficiaries.

The legislation before us is of fundamental importance to the future of 36 million of our fellow Americans and millions more to follow. We have no real choice we must pass this bill or face the national trauma of having social security miss its first payday in more than 40 years. Some of the best minds in the Nation were employed to bring about the reform package before us. Some of the best possible solutions are in this bill as are some of the worst. I do not vote for this bill with any enthusiasm but I do so with a sense of responsibility. It is a compromise—we all know it—but it is also all that we have at the present time. Therefore, I urge a favorable vote so that the minds of our senior citizens can be eased and the apprehensions that social security is to collapse can be put to rest.●

● Mr. RITTER. Mr. Chairman, the social security system is an indispensable source of income for millions of older Americans. The solvency of this system is of paramount concern to me, but I could not support H.R. 1900, the Social Security Act Amendments of 1983. There are many provisions in this bill that I feel we, as a legislative body, should examine more closely such as the coverage of Federal employees, the increase in social security payroll taxes, and the long-term funding solutions. In 1977, the American people were told that the tax increases and benefit reductions would guarantee the health of the social security system into the next century. Six years later, the Congress came back for a massive bailout program. How

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long, it must be asked, will this plan keep social security solvent?

However, I do support the provision that extends the unemployment benefits of our Nation's unemployed. We have a responsibility to lend a helping hand to our unemployed. These workers, who, through no fault of their own, have lost their jobs, and have bills and mortgages to pay. The extension of unemployment benefits is certainly one way in which the Federal Government can ease the burden for our unemployed workers and their families.●

● Ms. KAPTUR. Mr. Chairman, the historic social security legislation before the House today is a compromise. Because it is a compromise, each and every aspect of it is not entirely acceptable to all those it affects. I firmly believe, though, that a failure to accept the compromise is a failure to meet our obligation to the American people and to do so with dispatch—thus, to reinforce a most important pillar of our economic and social system.

The strength of this compromise lies in its general fairness, imposing sacrifices and hardship equally on present and future beneficiaries as well as the public as a whole. With the acceptance of this compromise and the resultant guarantee of the social security system's survival, we will keep intact the compact of trust between generations which is the fundamental principle upon which the system exists.

In moving expeditiously and forthrightly on this issue, the House has assured the Nation's social security recipients that they will not miss a single social security check. We will provide peace of mind to our Nation's senior citizens who, of late, have not always had that luxury.

Solvency has been achieved through slight adjustments in benefits and taxes and not through benefit cuts, which I steadfastly oppose. We are protecting the poorest of recipients by offsetting the freeze on the cost-of-living adjustment by increasing the supplemental security income program (SSI). We will be protecting as well our local economies by guaranteeing the revenue they receive from recipient spending. In Ohio's ninth district, this is over \$4.5 million per month from more than 74,500 people—no small concern in a region suffering desperately from economic dislocation.

I am disappointed that the House did not address the important issues involved in mandating participation in the social security system for newly hired Federal employees. I will work to insure that Congress does not renege on its commitment to Federal employees and current Federal retirees. Their full pension rights under the civil service retirement system must be guaranteed. Similarly, a Federal supplemental pension program needs to be established before January 1, 1984. Such a system should place no

additional financial burden on new Government employees.

The greatest challenge and ultimate responsibility of any Representative is to legislate in a manner that improves the quality of life for the greatest number of his or her constituents. Because of the diversity of interests in any particular district, meeting that responsibility often requires tradeoffs and compromises on the broad, historic issues. Social security is such an issue. Today, I am confident that we, as Members of Congress, have carried out the duty with which we have been charged and kept faith with the American people.●

● Mr. WOLF. Mr. Chairman, I believe we are all in agreement that because of both the short- and long-term financing problems facing the social security system, action by the Congress before this summer is crucial to continue the payment of benefits to millions of Americans who have been promised security in their retirement years.

Where reasonable men and women differ on this issue, however, is in how we carry out the responsibility. I fully appreciate the work and efforts of both the bipartisan National Commission on Social Security Reform and the House Ways and Means Committee in formulating a reform package to bail out the social security system. In carefully considering the bill before us today, however, I find a long-term solution missing and believe that the adoption of the amendment by the gentleman from Texas (Mr. PICKLE) offers an alternative to shore up our old age insurance system well into the next century and I rise in support of the Pickle amendment.

I believe a gradual increase in the retirement age phased in in two steps beginning in 2000 is a fair and equitable option that must be seriously considered. I do not believe further increasing the tax burden on Americans by continually raising social security payroll taxes is the answer. We must consider that between 1940 and 1980, the life expectancy at birth has increased by 12 years. Longevity is expected to increase even further in future years. The responsible action to take today is to begin to phase in changes in the system so that younger workers today can be confident in the future of social security.

Even with the adoption of this amendment, however, there are certain portions of the committee bill that concern me greatly. The first is the proposal to force newly hired Federal employees into the social security system. I believe this proposal is a shortsighted solution which has not received the thorough and careful study it deserves. Merging Federal workers into social security is a major and historic change in the civil service system with far-reaching impact on the quality of the Federal Government itself. Such a decision could erode the future revenue base of the

civil service retirement system, and this is a great source of worry to all current civil servants. In addition, the new Federal employees to be covered by social security would need a new retirement system to supplement social security.

I believe it would be irresponsible of the Congress to bring new Federal workers into social security without addressing those concerns. We should deal with the social security financial crisis without creating a crisis situation in the civil service retirement system.

Because this proposal is such a drastic change in course for the civil service system, I believe this option demanded consideration on its own merits. The rule to consider this bill did not allow a separate vote on this issue, however, and I believe that to be grossly unfair to the Federal work force.

Another portion of this bill also concerns me because it singles out the self-employed to bear more than their fair share of the proposed tax increase. The self-employed, who represent 8 percent of the work force, would carry 20 percent of the burden of increased payroll taxes. This self-employment tax increase would also increase the tax burden disproportionately for low-income workers. This proposal would be particularly discriminatory also against women, who have increased during the last 30 years from 11 percent to 26 percent of the self-employed work force. The unfair tax increase on the self-employed would discourage innovative and important contributions to society from this segment of the work force and dampen the incentive for risk taking and entrepreneurship which is the backbone of American free enterprise.

Again, I want to emphasize my appreciation to the members of the bipartisan commission and the Ways and Means Committee for their time and effort in formulating this reform package. I know a lot of hard work has gone into this important legislation and I understand fully the responsibility of the Congress to address the financial solvency of the social security system.

It is with reluctance that I vote against this bill, but I do so because I cannot reconcile the unfair treatment this legislation contains for Federal employees and the self-employed. It is my sincere hope that the Senate in considering this bill will make the necessary adjustments to assure fairness for these two groups of American workers so that when the House again considers the conference report on this bill, that I can support final passage of this legislation.●

● Mr. ACKERMAN. Mr. Chairman, I have been a Member of this House for only 1 week, but today I have the opportunity to cast a vote on one of the most crucial issues to ever face the Congress. I refer, of course, to H.R.

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1900, Social Security Act Amendments of 1983, and our debate today on the future of the social security system.

I strongly support social security. I believe it is critical for this Congress to maintain the bond that has been forged between the Federal Government and millions of workers and retirees across this great Nation. I wish to commend the efforts of the leadership of this House, and the members of the National Commission on Social Security Reform, for their contributions to the national discussion on this most important subject.

However, I feel that this legislation falls short of the goal of protecting the rights and interests of the workers and retired persons of this country.

By forcing new Federal workers into the social security system, we would, by the most gracious estimates, be contributing only 13 percent of the funds needed to make the social security system solvent over the long haul. The actual figures may well be much lower. But we would do this at the cost of jeopardizing the pension rights that have been pledged to millions of Federal employees. These benefits have been paid for in good faith by Government workers, and we in the Congress have the duty to see that our commitment to them is not tarnished. But the legislation before us could very well deplete the civil service retirement fund, with disastrous consequences for Federal workers and retirees, their families, and their dependents.

In addition, I cannot support the postponement of the cost-of-living allowance for social security and supplemental security income recipients contained in this legislation. It would be unconscionable to allow the COLA to be delayed while the third year of the regressive Reagan tax cut goes into effect. The burden of taking this Nation out of its great economic distress must be shared by all. It must not be allowed to fall upon the shoulders of the elderly, the infirm, and those in need of our help.

Likewise, the drastic increase in the social security tax for the self-employed will fall disproportionately upon those of modest means.

Mr. Chairman, the disastrous economic policies implemented by President Reagan pose the greatest danger to the well-being of the social security system and the people who depend upon it. The administration's economic program, which has caused unemployment in the Nation to skyrocket to unprecedented levels, is the real cause of the problem we are addressing today. The best way to bolster social security is to scrap Reaganomics and return this country to full employment. That would shore up the social security system with the employer and employee payroll contributions that have historically supported benefits for millions of retired and disabled Americans and their survivors.

Mr. Chairman, we must preserve our commitment to those who look toward

the social security system for assistance during their retirement years. But we cannot honor that commitment by cutting back on benefits to social security recipients, or by breaking our pledge to other workers or to retired Americans.

● Mr. MINETA. Mr. Chairman, as former chairman of the Budget Committee's Task Force on Budget Process, I would like to express my sharp disappointment with the provision in this bill to take social security off budget.

In 1967 the President's Budget Concepts Commission recommended that all Federal programs be shown as part of the same budget, a "Unified Budget".

Starting in the early 1970's some programs—notably the Federal Financing Bank—were placed off budget by statute. Off-budget spending is exactly the same as on-budget spending—it is simply not counted. But it is a part of the Federal debt, since the Treasury finances all spending. In fiscal year 1982 SPRO oil purchases were taken off budget as reconciliation savings.

Moving social security and medicare off budget, which was recommended by the Social Security Commission, is poor policy for three reasons.

First, it is bad for the budget process since it results in a budget that is understated by over \$300 billion. Members will not be in a position to consider Federal spending as a percent of the economy. Nor will they be able to directly compare similar programs—for example, medicare will be off budget but medicaid on budget. Nor will they get a valid comparison of different components of Federal spending—defense, means-tested programs, grants to States, and so forth will all be overstated as percent of total spending. Nor will the revenue portion of the budget give an adequate portrayal of the total tax burden on taxpayers.

Second, it may be bad for social security benefits. Currently it is widely believed that social security and medicare are financed by taxes on the potential beneficiaries. This is not true—there are a number of general fund subsidies—by 1988 they could total \$20 to \$30 billion. Those subsidies are not obvious now, since they are paid by one fund and received by another—a net zero. But, with social security off budget, these subsidies will be very visible since they alone will remain as on-budget payments. Highlighting these subsidies could provide more ammunition for groups that want to cut benefits.

Third, it is bad for the deficit, hence for other spending programs. With the reforms, social security will be solvent—that is, in surplus—through the end of the century. This surplus would be shown off budget, so the on-budget deficit would be overstated. Voting for unnecessarily overstated deficits seems like unnecessary political pain. It

could also lead to pressure against the remaining on-budget programs, most notably against discretionary appropriations.

As chairman of the task force I introduced a comprehensive budget reform bill which, among other things, would bring off-budget agencies on budget. In addition, we held hearings in the 96th Congress on this issue and included language in our budget resolution of fiscal year 1980 to affirm our commitment to "relate accurately the outlays of off-budget Federal entities to the budget." Again in 1982 and 1983 we carried forward this commitment with language in the budget resolution which expressed the sense of Congress language that provides that future budget resolutions should also portray off-budget spending.

I will support this bill because of the need to take immediate measures to assume long-term solvency of the social security system, but this off-budget provision is a reversal in the budget process and we must do something to change this.

I hope the conferees will delete the provisions to make social security off budget in 1988 and in the event the conferees do not take this action I intend to introduce legislation to change this before 1988.

● Mr. CONYERS. Mr. Chairman, since its creation in 1935, social security has proved to be the largest, most successful, and popular social program in the Nation's history. Primarily a social insurance program supported by the beneficiaries themselves, social security also contains features that benefit lower income retirees. For example, those who earn the smallest income receive a higher benefit in proportion to their lifetime contribution than those who earn the maximum income taxable under social security. While social security enjoys broad support among all income groups, its detractors oppose the program precisely because it is a Federal income maintenance program.

During the past 2 years, significant cuts were made in social programs affecting low-income households. It is deplorable that in Congress there was so little organized opposition to the cuts especially since they coincided with the largest tax giveaways to corporations and the biggest increase in peacetime military spending in the Nation's history.

This year it is social security's turn at the budgetary chopping block. Social security is the latest casualty of a depressed economy and a concerted administration policy to curb all types of nondefense spending in order to protect competing funds for the defense buildup and generate savings to reduce the budget deficit.

The question of social security really boils down to one of priorities and political pressure. Why should a Federal guarantee of Department of Defense obligations, which clearly is at the top

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of the President's agenda—and which will involve close to \$2 trillion over the next 5 years—take precedence over a Federal guarantee for social security obligations? Is it fair for older Americans to shoulder the lion's share of budgetary sacrifice this year, just as low-income households shouldered it during the previous 2 years?

Attacks on social security have been frequent and varied over the years. First, opponents claimed the program was too costly to operate. That proved false: Few other Federal programs can claim as low an administrative overhead—a mere 1.2 cents on each dollar. Next, opponents charged the program was marked by fraud and abuse. That allegation also proved groundless. Last year social security disbursed \$160 billion in benefits to more than 36 million recipients, and relatively little abuse was found. Defense spending with its uncontrollable cost overruns and lack of competitive bidding on contracts produces far more waste and fraud in its current \$340 billion budget.

More recently, critics have attacked social security benefits as being overly generous. Reflecting that position, the Reagan administration, after only 5 months in office, proposed the largest benefit cuts—nearly \$50 billion—in the program's history, only to withdraw the proposal in the face of massive public repudiation and opposition. The average benefit, currently, is \$406 per month, under \$5,000 per year, or the equivalent of \$94 a week. If anything, social security benefits, in many cases, are too low, when housing and heating bills, food, and major medical costs are considered.

Social security was created to insure a minimally decent standard of living for older Americans in their retirement. A sign of its success is the dramatic decrease in poverty among older Americans—a drop from 25 percent in 1970 to 15 percent currently. Some 15 million retired persons today would still be living in poverty were it not for social security benefits. While over 76 percent of the income the elderly receive derives from social security benefits, 1 in 6 retirees, or 6.5 million persons, still live in or near the poverty level—among the black aged, nearly 40 percent live in poverty, 3 times as many as among the white aged. Clearly, social security still has a long way to go to eliminate economic hardship among older persons, as was originally intended.

During the past year, conservative opponents of the program mounted a damaging attack. They managed to convince a majority of citizens that social security was in dire financial trouble and that only a major reduction in its costs could rescue social security from financial collapse. To bolster these claims, the President's Commission on Social Security Reform produced grim actuarial figures and economic forecasts that showed a cumulative program deficit of between

\$150 and \$200 billion over the balance of the 1980's. These figures assume very little improvement in the economy during this extended period, and for that reason alone are tentative, if not downright questionable. The hidden and questionable assumptions behind the Commission's proposals seemed to be calculated more to pressure Congress to enact swiftly the proposals than to reveal any truth about social security. Even the most stalwart supporters of social security on the Commission appeared to accept the assumptions and recommendations in order to shore up public confidence that social security would continue to operate in the future.

Social security, however, is not imperiled, although its opponents certainly seek to demoralize and divide its base of support. Congress always will find ways to support social security as long as the program enjoys broad public support. The real issue in the social security debate now before Congress is the future direction of the program—whether benefits should be cut at all and whether regressive payroll taxes ought to be raised again—and not the immediate danger of financial insolvency. By raising public fears needlessly about social security's future, and linking its alleged financial trouble to benefit levels rather than to the troubled economy, the Reagan administration found a ready formula for promoting its effort to whittle down benefits and down size the program in future years.

Social security can only run out of funds if the Nation's economy runs out of steam altogether. It is financed entirely by payroll taxes of employers and employees, and its receipts accurately reflect the condition of the economy. When the economy is strong, social security trust fund revenues are ample; however, when the economy is depressed over a long period, revenues drop dramatically.

Recessions and high unemployment have financially weakened social security. Every additional 1-percent increase in the Nation's jobless rate represents a loss of at least \$1.6 billion in payroll tax revenues. In addition, during high-unemployment periods increasing numbers of workers opt for early retirement which boosts the payout the program costs. In 1982 social security had a \$5.7 billion deficit. If the jobless rate last year stood at only 6 percent, rather than the actual 9.7 percent, the trust fund would have had a surplus, not a deficit.

The proposal before Congress would raise an additional \$150 billion over the next several years through benefit reductions and further payroll tax increases—in 1977 Congress raised an additional \$300 billion in payroll hikes to cover any possible shortage of revenues arising from economic weakness. The Commission's proposal to delay by 6 months the cost-of-living adjustment would cost a single retiree \$133

in 1983 alone, which for individuals living at the margin, can be considerable. The Commission also proposed, and Congress is considering a 3-percent increase in the payroll tax on the self-employed. The burden of this tax hike would fall on the incomes of small business owners, many of whom already face serious financial difficulty.

Social security will remain vulnerable to economic ups and downs unless it is insulated from economic and political pressures. The top priority ought to be to rebuild public confidence in the program's stability. Instead, the Commission's proposals, while plugging estimated deficits, will simply maintain a high level of public anxiety until the next period when a rundown economy produces another round of social security red ink.

The best medicine now to allay public fears about social security is to put the full faith and credit of the U.S. Government behind it. Social security should be allowed to borrow, on a standby basis, any sums it needs to cover benefits during periods of economic recession or depression. The borrowed funds would be repaid with interest when the economy is strong. In addition, Congress should reauthorize interfund borrowing, which expires on July 1, 1983, until a Federal borrowing authority is established. This is standard practice in many European nations. It was recommended by the Carter administration, and approved by the House of Representatives in 1977. Even the President's Social Security Commission calls for "a fail-safe mechanism . . . so that benefits could continue to be paid on time despite unexpectedly adverse conditions." These measures alone would meet any short-term difficulty and allow time for a much deeper and broader national debate on the future direction of social security.

Unless a Federal guarantee is established, social security will continue to be held hostage to economic shifts or faulty economic policies, or both; and future beneficiaries will again be called upon to make sacrifices or else anxiously face more uncertainty—and all for other programs favored by other Presidents, such as the current massive boost in weapons production and defense spending. Why not give all older Americans a decent break, instead?

• Mr. McDADE. Mr. Chairman, today we are acting on legislation to restore the social security system to solvency. The bill before us contains provisions which will directly affect every citizen of this country for at least the next 50 years. Although I support H.R. 1900, and will vote for its final passage, I do so with some considerable reluctance.

This massive measure has been brought to the floor of the House with very limited time for consideration. Although the Social Security Commission provided a number of recommen-

dations for increasing revenues and reducing expenditures, this body has had little or no opportunity to consider alternative funding measures. Even worse, there has been little opportunity for Members to vote on the important issues this legislation raises, either in committee or on the floor. We are presented with a take-it-or-leave-it situation. If this bill does not pass, the social security system will be in serious financial peril. It may be the only realistic chance we have to save the system. However, by passing it, we are heaping large new burdens upon self-employed, farmers and businessmen, Federal employees, and other without any opportunity to consider their grievances and explore alternative funding sources to meet those grievances.

I am extremely disturbed that I am unable to vote separately on the affects of this bill on the self-employed. Unfortunately, this bill will mean a larger increase in taxes for the self-employed than for others. For the self-employed, the bill increases the tax from 9.35 percent to 14 percent. The tax credit of approximately 2 percent only reduces the real cost to 11.9 percent, which still is a huge increase over current law, and far higher than the employee rate.

For a self-employed person earning \$20,000, this amounts to an annual tax increase of \$510. If the income level is \$35,000, the increase will be almost \$900. This is far too heavy a burden to impose on our farmers and small businessmen, which are so essential to our economic well-being. It is especially unfair since employees will be paying more than 4 percentage points less than the self-employed rate. Certainly, there are more equitable solutions which we are not being given the chance to consider today.

The proposal to place new Federal employees under the social security system is unwise and shortsighted. Although this measure may help to resolve the short-term financing problems, I have serious reservations as to how this measure will affect the system in the long run. Further, I am extremely concerned about the inevitable detrimental effects this proposal will have on the civil service retirement program.

As Members of Congress we have a responsibility to provide Federal workers past and present with the retirement benefits they have earned and that they deserve. Placing new Federal hires under the social security system will make it difficult for us to live up to that responsibility. The major problem with this proposal is that it will erode the future revenue base of the civil service retirement program. With the elimination of new funds coming into the civil service system, Congress will, at some time in the future, be required to finance the system in order to meet the obligations to future Federal retirees.

This proposal would also require that a second, supplemental system be created to assure an adequate retirement for these new Federal workers. History has already shown us that the costs of operating two employee retirement systems is between two and four times greater than simply having one system. Furthermore, the U.S. Treasury will experience a substantial loss of revenues. Under the current system, social security benefits are tax free, whereas 10.6 percent of Federal annuity payments are returned to the Treasury in taxes paid by retirees.

It is unfortunate that we are not being given the opportunity today to vote on these provisions of the bill. If we had been given the chance, I most certainly would have voted against placing Federal employees under the social security system, and against the onerous burdens imposed on the self-employed farmers and small businessmen. ●

● Mr. LEHMAN of California. Mr. Chairman, I rise today to speak in favor of the passage of H.R. 1900, the Social Security Act Amendments of 1983.

It is no secret that the social security system is currently facing a severe financial crisis. In fact, upon close examination of the social security system, it becomes painfully obvious that the social security trust fund is on the verge of bankruptcy.

It is important to note that H.R. 1900 calls for sacrifices by all of those persons involved with social security; current social security recipients, future retirees, Federal employees, self-employed Americans, and all taxpayers. Like many of my colleagues, I realize that this package of reforms is far from perfect. However, I am convinced that the choice offered to us here today is a clear cut one. We can either vote for H.R. 1900, which provides for the continued financial security of the social security system, or we can vote against the measure and leave social security to go bankrupt by the end of this year. With such a decision before us, the only responsible course of action is to pass this measure. Only through the passage and successful implementation of H.R. 1900 can we provide for the retirement incomes of the millions of American workers who depend on social security for their livelihood.

With respect to the two amendments which are being offered today by my colleagues Messrs. PICKLE and PEPPER, I must vote against both. I believe that the National Commission on Social Security Reform has adequately addressed the vast majority of problems facing social security. I do not believe that it is in the best interests of social security that we make last minute changes in the Commission's recommendations.

Like many of my colleagues in the House of Representatives, I have received a great deal of mail from my constituents on this important issue.

The great majority of this mail has been from Federal and postal employees. I regret that I did not have the opportunity to vote upon the rule regarding the inclusion of Federal and postal employees in the social security system. This is certainly one of the provisions that I would have changed had I had the opportunity.

Many of the Federal and postal employees whom I represent have expressed their fear that H.R. 1900 will initiate the demise of the civil service retirement system. I would like to take this opportunity to stress my commitment to preserving the integrity of the civil service retirement system. The Congress will be addressing this issue later during the year, and I would add my voice to those of my fellow Members who have pledged their support of the Federal workers in their fight to preserve their retirement system. ●

● Mr. RAHALL. Mr. Chairman, I rise in support of H.R. 1900, the Social Security Act Amendments of 1983. While each of us has his or her disagreements on particular aspects of the bill, when taken as a whole, the legislation takes important steps toward solving the short- and long-term problems facing social security.

Estimates by the Social Security Administration indicate this bill will create revenue increases and outlay decreases totaling \$165.3 billion between 1983 and 1989 for the retirement and disability trust funds. The bulk of savings will be achieved from delaying the COLA for 6 months—\$39.4 billion—accelerating the payroll tax—\$39.4 billion—taxing benefits for those retirees earning over \$25,000 as an individual or \$32,000 for a couple, and increasing the self-employment tax—\$18.5 billion.

This legislation addresses the problems created by a change in our economic climate. When trust fund reserves drop below 20 percent at the beginning of any year after 1987, COLA's would be based on the average increase in the Consumer Price Index (CPI) or wages, whichever is lower. When reserves reach 32 percent in the trust fund, a catchup payment would be provided to all who suffered a loss in benefits during slower economic times. During periods when reserves are between 20 and 32 percent, COLA's will be based on the CPI as they are presently. In anticipating a slow economic upturn between 1983-87 the bill authorizes interfund borrowing between the three funds which comprise the social security system—retirement, disability, and medicare. It should be noted that provision must be made for the repayment at the earliest possible date, no later than the end of 1989.

At long last we have addressed the problems with uncashed social security checks. If a period of 6 months has elapsed from the time a check is issued, the Treasury Department now will be authorized to credit the

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amount of the uncashed check to the appropriate trust fund. Also, I have shared the concern that money in the trust fund could be more wisely invested. H.R. 1900 allows the funds to be invested in short- and long-term rates in order to get a maximum return for investing money in the trust funds.

Many of my constituents have been upset over a provision under current law regarding assistance given to SSI recipients in the form of emergency and in-kind aid counted as income. Under H.R. 1900, emergency and in-kind assistance provided by private nonprofit organizations would be disregarded under the SSI and AFDC programs if the State determines the aid was based on need.

Presently my State has the unwanted distinction of leading the Nation in unemployment at 17.6 percent. Many of our unemployed have or will shortly exhaust their unemployment benefits. Title V of this bill provides a most needed extension of the Federal unemployment compensation program. In West Virginia, individuals who become eligible for Federal unemployment payments on or after April 1, 1983, can get up to 14 additional weeks of benefits. Those in my State who have exhausted their Federal unemployment benefits on or before April 1, 1983, will be eligible for up to 10 additional weeks of benefits. While the jobless in my district would much rather be working than receiving a check, this action assures the long-term jobless—through no fault of their own—that we in the Federal Government have not forgotten about their needs and those of their families. Many unemployed have approached me recently about their concern over the fact their health benefits would soon run out. I want to point out that this legislation provides States the option of deducting a health insurance premium from unemployment benefits if the individual elects to do so and if the State has a health insurance program for the jobless.

Under title VI Congress implements a program to place a control on health care costs to the Government. Health care reimbursement, mainly under medicare and medicaid, will be broken down into 467 diagnostic-related groups (DSG). Separate rates will be devised for urban and rural areas in each of the nine census districts of the country. Congress is providing an incentive to control rising health care costs through this reimbursement system. For example, if a hospital bills the Federal Government more than its allowed DRG rate, it will have to find a way to make up the cost difference. On the other hand, if the same hospital submits a bill for less than the DRG rate, it can keep the difference between what the Government pays for that particular item and its lower cost. So instead of having a more or less open ended reimbursement system, Congress is now trying to induce hospitals and others to control

health care costs. Hopefully a pattern of more controlled health care costs will develop for all Americans.

Many postal workers and Federal employees in West Virginia have contacted me to express their strong opposition to the inclusion of new employees under social security. I have always opposed these attempts in the past and I would have done so today had I been given the opportunity for a separate vote on this issue. I am very pleased that the distinguished chairman of the Committee on Post Office and Civil Service assured us today that there is nothing in this legislation to stop new Federal and postal workers from paying into the civil service retirement system, an issue of great interest to many Government workers.

We must not be misled by our actions today as to one of the most serious problems facing social security and the Nation—the current recession. It is incumbent upon all of us in Congress to put Americans back to work and I will do my best to work toward the goal of putting the unemployed back to work.

• Mr. NEAL. Mr. Chairman, I am recovering from back surgery and am under doctor's orders to remain at home. The social security system faces serious financial problems because of high unemployment, deep recession, and a generally failing economy. The plan calls for sacrifice to be made by all Americans, and for the benefit of a system so vital to the well-being of our people; I believe the sacrifices are warranted. Had I been presented on the floor, I would have cast my votes as follows:

Yes. Final passage: H.R. 1900, The Social Security Act Amendments of 1983.

No. An amendment offered by Mr. Pickle.

Yes. An amendment offered by Mr. Pepper.

Mr. Chairman, I support Mr. Pepper's amendment, because I believe it is a mistake at this time to attempt to deal with shortfalls in the system projected for well into the next century. It is difficult, if not impossible, to accurately predict economic conditions that far into the future. The Pepper amendment, among other things, strikes the committee's provision reducing initial benefit levels in the year 2000, postponing remedial action for several years. I am not in complete agreement with the amendment, but, in my opinion, it substantially improves the committee bill.

• Mr. GAYDOS. Mr. Chairman, I support all the good that social security does, and I believe that a proper purpose of Government is to make it possible for its citizens to live with dignity and independence; to live in opportunity and in freedom from financial ruin.

However, if the blue ribbon commission that sent us this solution to social security's problems were an automobile dealership, it could be justifiably hauled before a better business bureau to explain accusations of bait-

and-switch and high pressure salesmanship that depends on hasty action taken under fear of loss.

This is no way for the Congress of the United States to consider legislation that could force economic bondage on the people who will have to live with it after we are gone; it is no way to guarantee anything but another crisis.

There is a better way, and it involves the use of general revenue rather than higher taxes and fiddling with retirement benefits and sound outside pension plans and the retirement age; in short, it involves things other than economic conscription.

Furthermore, if social security were an automobile, it would be roundly condemned by Consumer Reports as unsafe and unsound.

As for soundness, we seem to be on a 5-year cycle of adjustment and repairs—always temporary repairs.

Congress gave it a major overhaul in 1972—in response to the pressures of that time—and then had to ask the people to stand for \$277 billion in repairs in 1977; but that trip to the shop was to carry us well into the 21st century.

However, today we have it back in for more work, and the bill for this tuneup is \$168 billion.

Those of us who are here in 1983 or 1988 can reasonably expect to be told—again under high pressure—that we need to move up to some near-year the payroll tax increases that have been scheduled, and maybe to set up a schedule of hikes through 2008 to stave off intervening emergencies. By the way, I have read the payroll tax could be 28 percent by 2008.

The addition of options turned a sound basic model into something else again.

I checked the record for 1986—and by no means do I want to re-create the conditions of 1986—to see what we had when we started. And here is the way Mr. Doughton of North Carolina explained the bill to the House:

The essential feature of the social security bill is that of social insurance against the principal hazards or risks that have caused American families to become dependent upon relief.

These causes are well known: (1) unemployment, (2) old age, (3) lack of a breadwinner in families with young children, and (4) sickness. The bill includes comprehensive measures against all but the last of these.

The bill established the pension system. It set aside money for dependent children to age 18, but it did not include them in what became the pension system. It also established unemployment insurance. It did not do a lot more.

In 1935 they were estimating that 10 million would benefit from the system by 1970, and the debate did not project much further. Today we have about 36 million, I have read.

The basic model got a lot of options over the years.

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Mr. Chairman, by no means do I advocate returning to a system as lean and as incompassionate as that of 1935; I believe in opportunity for orphans, dignity for widows, equity for the disabled, independence for the aged, and I want them to have it.

And I further believe in getting the system back to its basic soundness in providing fair and just old age benefits that meet the needs of the times, and in meeting as much of the other options as the fund can accommodate; and we turn to general revenue for what is necessary to meet the needs above that.

For money we can look among the millions and billions spent on foreign aid, among the millions and billions spent in developing the economies of foreign nations so they can dump goods here that cause unemployment among workers who pay the social security tax.

You see, if the additions get too expensive, and the taxes too high, the people will break the contract and the system is lost. If we bleed dry the Federal pension system for a quick fix in 1983, the only thing we guarantee is that the 107th or 108th Congress will have to conscript more money to fix both—temporarily.

The years have turned a sound basic model into a lemon and it is never going to deliver good mileage until Congress takes it apart—not in haste or fear, but with deliberation—and makes the right repairs. This bill does not do that.

For these reasons, I must vote against this measure.●

● Mr. SYNAR. Mr. Chairman, the vote we face today on social security is one of the most difficult votes I have cast. On one hand, we face the prospect of burdening our small businesses by moving up scheduled tax increases, taxing benefits for the first time, and creating fear among current middle-aged Federal employees over the fate of their retirement. But on the other hand, we face the option of leaving social security without an answer to its growing financial problem. While voting against the bill would placate the legitimate concerns of the various groups affected by the bill—small businesses, senior citizens, and Federal employees—it would be irresponsible. There is no alternative. For that reason, Mr. Speaker, I will vote for the bill.

Once we have completed work on this bill and it is law, we must immediately address two equally important issues. First, the tax increase that we are moving up from 1985 to 1984 could have a serious impact on small businesses, depending on the condition of our economy and the status of recovery. We must closely monitor this and be prepared to act if needed. We owe it to our small businesses: As I have walked up and down main streets in northeastern Oklahoma the small business owners have told me that they want to help—but are not sure

they can bear the increased tax burden.

And second, we must guarantee middle-aged Federal employees who are vested in the existing civil service retirement and have paid into it for 10, 15, and 20 years that their retirement will be there when they need it. They are worried the result of our putting new Federal employees under social security would be to lock their retirement into diminishing revenues while the liability remains the same. Congress will stand behind their pensions. But we must assure them.

Mr. Speaker, there are several components of this bill that I do not like. I am sure every Member of this House feels the same. But I have been impressed by the bipartisan effort by Members as well as the support of my constituents, and I will vote for it because we all will soon count on social security.●

Mr. ROSTENKOWSKI. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

Mr. CONABLE. Mr. Chairman, I yield my remaining time to the gentleman from Illinois (Mr. MICHEL).

The CHAIRMAN. The gentleman from Illinois (Mr. MICHEL) is recognized for 18 minutes.

(Mr. MICHEL asked and was given permission to revise and extend his remarks.)

Mr. MICHEL. Mr. Chairman, back in 1941 when I was employed in my first 40-hour-a-week job between high school and college I was paid the handsome sum of \$13 a week gross or \$12.87 net take-home pay because the social security tax in those days was only 1 percent.

My father had deductions from his pay in that same year that totaled \$30 for the entire year, since the law at that time called for a 1-percent-payroll deduction for an employee up to the maximum of \$3,000 income.

In filing my income tax return for 1982 I will pay a self-employed social security tax 100 times larger than my father paid as a maximum under the law 40 years ago.

There is absolutely no way we can be honest to ourselves or our children by forcing the same kind of progressive tax burden on our children during the next 40 years.

I guess I am also reminded of the number of times my dad asked me before he died just a few years ago why he was getting those increases in his social security checks when his company pension check stayed the same.

I had to respond by telling him that I was one of those responsible for amending the law to tie social security benefits to the cost-of-living index. Then he would say, "But, Bob, I don't know how long you can continue to do that when we didn't earn it." Then I would recount to my dad that when I was a junior Congressman some of us just got fed up with the bidding game

that went on between the political parties as to which could vote the higher benefits to social security recipients, this side or that, 4 percent, 5 percent or more. That is the way it went and it got to be rather disgusting.

So a number of us got together and considered why not turn to the scheme industry and labor are turning to more and more in negotiating their wage-management contributions, and that was tying wages and salaries to the cost-of-living index.

If it was good principle for them, why not for social security?

All well and good except for one factor that we left out of our calculations back in 1972 when we finally persuaded the Congress to adopt the principle of tying social security benefits to the CPI and that was double-digit inflation.

Automatic increases of 14 percent, 11 percent, 10 percent, back to back, were just too much for the system to bear.

So that brings us, frankly, to where we are today.

Mr. Chairman, it has taken this House 2 years to make the journey from crisis to compromise in social security financing reform. The journey from there to here was senseless and rather destructive and debilitating. Seldom has an issue demanded so much statesmanship but produced so doggone much demagoguery.

Seldom have the energies and responsibilities of legislative bodies been so misdirected and misused in the course of reaching a consensus. But that is behind us and before us is a compromise.

Before us is a product born out of necessity and ripened by the kind of bipartisan deliberation that does this body some real credit. I must pause here to reiterate what was said by my colleague from Illinois (Mr. ROSTENKOWSKI) the chairman of the Ways and Means Committee. Throughout the last 2 years several Members of this body have certainly behaved and acted like statesmen. I am particularly proud of my two appointees to the Social Security Commission, BARBER CONABLE of New York, ranking member on the Ways and Means Committee, and BILL ARCHER of Texas, for their invaluable contributions to the work of the Commission.

I should also like to single out the chairman of the Ways and Means Committee, the gentleman from Illinois (Mr. ROSTENKOWSKI), and the other gentleman from Texas (Mr. PICKLE), chairman of the subcommittee who in their own deliberate way kept the light of compromise and conciliation burning while others did all they could do to snuff it out.

I support this compromise. I support it despite reservations about the additional tax burdens it will impose.

I support it despite my own personal belief that we could have done more in reforming the structure of the system,

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and it is in that vein that I will vote for the Pickle amendment later on today.

I support the compromise because compromise is the only hope we have for the survival of social security.

We have no other choice. We have no other alternative that could pass this House. And I think that is what we have to be talking about.

There are many of us, not a majority, a number of us who would like to do this, a number of us who would like to do that, some more who would like to do this and some more who would like to do that, and none of those individual groups willing to meet with the other enough to give you 218 votes to pass this House of Representatives. That is what makes this whole art of compromise, a working together with both sides of the aisle, factions on both sides to put together something that will fly in the House.

There are people right now outside the Capitol standing in protest against the compromise because they contend there are other alternatives. But their interests are rather personal, just as many of ours would be on an individual basis. Their intent is sincere, but their conclusions are wrong. We have run out of time. We have run out of solutions.

Time has run out for those Americans who are looking to social security to sustain them in their retirement years. Their future depends on what we do here today.

Equally as critical to me is the future of those younger Americans who are just beginning to make their way in the private sector, building a base of resources for themselves and their families.

I feel a strong sense of obligation to those young people. I look at my four children now all married and hopefully beginning to get into that grandchild area. We call upon them to supply the resources so that our older citizens can retire with greater dignity and greater security.

We went to them in the last decade and imposed a heavier tax burden on them to secure social security beyond the next century, remember, just a few years ago. We secured nothing. We saved nothing. We deceived them and, frankly, we deceived ourselves.

I do not want that to happen again.

This compromise must work as well for America's young people as it does for America's senior citizens. Again, this is why I intend to support the Pickle amendment over the Pepper amendment.

If there is one compelling argument in favor of the Pickle amendment it is this: When social security was originally enacted life expectancy for men was 60.8 years, for women it was 65.2, or an average of 62.9, remembering that 65 then was the year for retiring.

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By 1980 life expectancy for men had increased to 69.8, for women it went

up to 77.2, or an average of 73.6 years on an average. Now that is better than a 10-year increase in life expectancy during the past 40 years and it is high time we take those figures into account before piling on yet another round of tax increases on our children and our grandchildren.

I want to preserve for my kids and my grandchildren a social security system worthy of the name.

I do not ever again want to be asked to go back to those young Americans and demand from them still higher taxes to save social security.

This compromise to me is a commitment to them as much as it is a commitment to the current and future social security recipients.

So I hope that in the course of our further deliberations this afternoon, during consideration of the debate on the two amendments, that there will be a resounding vote for the Pickle amendment and against the Pepper amendment because that is one sure way of doing the right thing here today.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read for amendment under the 5-minute rule. No amendments are in order except the following amendments, which shall not be subject to amendment and shall be considered only in the following order. First, amendments recommended by the Committee on Ways and Means; second, the amendment printed in the CONGRESSIONAL RECORD of March 8, 1983, by Representative PICKLE of Texas, and said amendment shall be debatable for not to exceed 2 hours, equally divided and controlled by the proponent of the amendment and the chairman of the Committee on Ways and Means, or his designee; and third, the amendment printed in the CONGRESSIONAL RECORD of March 7, 1983, by Representative PEPPER of Florida, said amendment shall be in order even if the amendment designated No. 2 has been adopted, and said amendment shall be debatable for not to exceed 2 hours, equally divided and controlled by the proponent of the amendment and the chairman of the Committee on Ways and Means, or his designee.

The text of the bill H.R. 1900, is as follows:

H.R. 1900

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act, with the following table of contents, may be cited as the "Social Security Act Amendments of 1983".

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TITLE I—PROVISIONS AFFECTING THE FINANCING OF THE SOCIAL SECURITY SYSTEM

PART A—COVERAGE

**COVERAGE OF NEWLY HIRED FEDERAL
 EMPLOYEES**

SEC. 101. (a)(1) Section 210(a) of the Social Security Act is amended by striking out paragraphs (5) and (6) and inserting in lieu thereof the following:

“(5) Service performed in the employ of the United States or any instrumentality of the United States, if such service—

“(A) would be excluded from the term ‘employment’ for purposes of this title if the provisions of paragraphs (5) and (6) of this subsection as in effect in January 1983 had remained in effect, and

“(B) is performed by an individual who (i) has been continuously in the employ of the United States or an instrumentality thereof since December 31, 1983 (and for this purpose an individual who returns to the performance of such service after being separated therefrom following a previous period of such service shall nevertheless be considered upon such return as having been continuously in the employ of the United States or an instrumentality thereof, regardless of whether the period of such separation began before or after December 31, 1983, if the period of such separation does not exceed 365 consecutive days), or (ii) is receiving an annuity from the Civil Service Retirement and Disability Fund, or benefits (for service as an employee) under another retirement system established by a law of the United States for employees of the Federal Government or members of the uniformed services;

except that this paragraph shall not apply with respect to—

“(i) service performed as the President or Vice President of the United States,

“(ii) service performed—

“(I) in a position placed in the Executive Schedule under sections 5312 through 5317 of title 5, United States Code,

“(II) as a noncareer appointee in the Senior Executive Service or a noncareer member of the Senior Foreign Service, or

“(III) in a position to which the individual is appointed by the President (or his designee) or the Vice President under section 105(a)(1), 106(a)(1), or 107 (a)(1) or (b)(1) of

title 3, United States Code, if the maximum rate of basic pay for such position is at or above the rate for level V of the Executive Schedule,

“(iii) service performed as the Chief Justice of the United States, an Associate Justice of the Supreme Court, a judge of a United States District Court (including the district court of a territory), a judge of the United States Claims Court, a judge of the United States Court of International Trade, a judge of the United States Tax Court, a United States magistrate, or a referee in bankruptcy or United States bankruptcy judge,

“(iv) service performed as a Member, Delegate, or Resident Commissioner of or to the Congress, or

“(v) any other service in the legislative branch of the Federal Government if such service is performed by an individual who, on December 31, 1983, is not subject to subchapter III of chapter 83 of title 5, United States Code;

“(6) Service performed in the employ of the United States or any instrumentality of the United States if such service is performed—

“(A) in a penal institution of the United States by an inmate thereof;

“(B) by any individual as an employee included under section 5351(2) of title 5, United States Code (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government), other than as a medical or dental intern or a medical or dental resident in training; or

“(C) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;”

(2) Section 210(p) of such Act is amended by striking out “provisions of—” and all that follows and inserting in lieu thereof “provisions of subsection (a)(5).”

(b)(1) Section 3121(b) of the Internal Revenue Code of 1954 is amended by striking out paragraphs (5) and (6) and inserting in lieu thereof the following:

“(5) service performed in the employ of the United States or any instrumentality of the United States, if such service—

“(A) would be excluded from the term ‘employment’ for purposes of this title if the provisions of paragraphs (5) and (6) of this subsection as in effect in January 1983 had remained in effect, and

“(B) is performed by an individual who (i) has been continuously in the employ of the United States or an instrumentality thereof since December 31, 1983 (and for this purpose an individual who returns to the performance of such service after being separated therefrom following a previous period of such service shall nevertheless be considered upon such return as having been continuously in the employ of the United States or an instrumentality thereof, regardless of whether the period of such separation began before or after December 31, 1983, if the period of such separation does not exceed 365 consecutive days), or (ii) is receiving an annuity from the Civil Service Retirement and Disability Fund, or benefits (for service as an employee) under another retirement system established by law of the United States for employees of the Federal Government or members of the uniformed services;

except that this paragraph shall not apply with respect to—

“(i) service performed as the President or Vice President of the United States,

(ii) service performed—

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"(I) in a position placed in the Executive Schedule under Sections 5312 through 5317 of title 5, United States Code.

"(II) as a noncareer appointee in the Senior Executive Service or a noncareer member of the Senior Foreign Service, or

"(III) in a position to which the individual is appointed by the President (or his designee) or the Vice President under section 105(a)(1), 106(a)(1), or 107(a)(1) or (b)(1) of title 3, United States Code, if the maximum rate of basic pay for such position is at or above the rate for level V of the Executive Schedule.

"(III) service performed as the Chief Justice of the United States, an Associate Justice of the Supreme Court, a judge of a United States court of appeals, a judge of a United States district court (including the district court of a territory), a judge of the United States Claims Court, a judge of the United States Court of International Trade, a judge of the United States Tax Court, a United States magistrate, or a referee in bankruptcy or United States bankruptcy judge.

"(iv) service performed as a Member, Delegate, or Resident Commissioner of or to the Congress, or

"(v) any other service in the legislative branch of the Federal Government if such service is performed by an individual who, on December 31, 1983, is not subject to subchapter III of chapter 83 of title 5, United States Code;

"(5) service performed in the employ of the United States or any instrumentality of the United States if such service is performed—

"(A) in a penal institution of the United States by an inmate thereof;

"(B) by any individual as an employee included under section 5351(2) of title 5, United States Code (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government), other than as a medical or dental intern or a medical or dental resident in training; or

"(C) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency."

"(7) Section 3121(a)(1) of such Code is amended to read as follows:

"(1) IN GENERAL.—For purposes of the taxes imposed by sections 3101(a) and 3111(b), subsection (b) shall be applied without regard to paragraph (5) thereof."

"(c)(1) Section 204 of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"For purposes of this title, in the case of an individual performing service under the provisions of section 204 of title 28, United States Code (relating to assignment of retired justices and judges to active duty), the term 'wages' shall, subject to the provisions of subsection (a) of this section, include any payment under section 371(b) of such title 28 which is received during the period of such service."

"(2) Section 3121(d) of the Internal Revenue Code of 1954 (relating to computation of wages in certain cases) is amended by adding at the end thereof the following new paragraph:

"(5) SERVICE PERFORMED BY CERTAIN RETIRED JUSTICES AND JUDGES.—For purposes of this chapter, in the case of an individual performing service under the provisions of section 204 of title 28, United States Code (relating to assignment of retired justices and judges to active duty), the term 'wages' shall, subject to the provisions of subsection (a)(1) of this section, include any payment under section 371(b) of such title 28 which

is received during the period of such service."

"(3) The amendments made by this section shall be effective with respect to compensation paid after December 31, 1983.

COVERAGE OF MEMBERS OF NONPROFIT ORGANIZATIONS

Sec. 102. (a) Section 210(a)(5) of the Social Security Act is amended—

(1) by striking out "(A)" immediately after "(B)";

(2) by striking out "subparagraph" where it first appears and inserting in lieu thereof "paragraph"; and

(3) by striking out subparagraph (B).

"(b)(1) Section 3121(b)(3) of the Internal Revenue Code of 1954 is amended—

(A) by striking out "(A)" immediately after "(B)";

(B) by striking out "subparagraph" where it first appears and inserting in lieu thereof "paragraph"; and

(C) by striking out subparagraph (B).

"(2) Section 3121(k) of such Code is repealed.

"(3) Section 3121(r) of such Code is amended—

(A) by striking out "subsection (b)(5)(A)" and "section 204(a)(5)(A)" in paragraph (3) and inserting in lieu thereof "subsection (b)(5)" and "section 210(a)(5)", respectively; and

(B) by striking out paragraph (4).

"(4) The amendments made by the preceding provisions of this section shall be effective with respect to service performed after December 31, 1983 (but the provisions of sections 2 and 3 of Public Law 94-553 and section 22265 of Public Law 95-226 shall continue in effect, to the extent applicable, as though such amendments had not been made).

"(5) The period for which a certificate is in effect under section 3121(r) of the Internal Revenue Code of 1954 may not be terminated under paragraph (1)(B) or (2) thereof on or after March 31; but no such certificate shall be effective with respect to any service to which the amendments made by this section apply.

"(6)(1) If any individual—

(A) on January 1, 1984, is age 55 or over, and is an employee of an organization described in section 210(a)(5)(B) of the Social Security Act (A) which does not have in effect (on that date) a waiver certificate under section 3121(k) of the Internal Revenue Code of 1954 and (B) to the employees of which social security coverage is extended on January 1, 1984, solely by reason of the enactment of this section, and

(B) after January 1, 1984, acquires the number of quarters of coverage (within the meaning of section 213 of the Social Security Act) which is required for purposes of this subparagraph under paragraph (2), then such individual shall be deemed to be a fully insured individual (as defined in section 214 of the Social Security Act) for all of the purposes of title II of such Act.

"(2) The number of quarters of coverage which is required for purposes of subparagraph (B) of paragraph (1) shall be determined as follows:

In the case of an individual who on January 1, 1984, is—	The number of quarters of coverage so required shall be—
age 60 or over	6
age 59 or over but less than age 60	8
age 58 or over but less than age 59	12
age 57 or over but less than age 58	14
age 55 or over but less than age 57	20

"(3) Effective for cost reporting periods beginning on or after October 1, 1983, paragraph (4) of section 1909(b) of the Social Security Act is repealed.

DURATION OF AGREEMENT FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Sec. 103. (a) Section 210(g) of the Social Security Act is amended to read as follows:

"Duration of Agreement

"(g) No agreement under this section may be terminated, either in its entirety or with respect to any coverage group, on or after the date of the enactment of the Social Security Act Amendments of 1983."

"(b) The amendment made by subsection (a) shall apply to any agreement in effect under section 213 of the Social Security Act on the date of the enactment of this Act, without regard to whether a notice of termination is in effect on such date, and to any agreement or modification thereof which may become effective under such section 213 after that date.

PART B—COMPUTATION OF BENEFIT AMOUNTS

BRIEF OF COST-OF-LIVING ADJUSTMENTS TO CALCULATE YEAR AMOUNT

Sec. 111. (a)(1) Section 215(b)(1)(A) of the Social Security Act is amended by striking out "the calendar quarter ending on March 31 in each year after 1974" and inserting in lieu thereof "the calendar quarter ending on September 30 in each year after 1983."

"(2) Section 215(b)(2)(A)(ii) of such Act is amended by striking out "June" and inserting in lieu thereof "December."

"(3) Section 215(b)(2)(A)(iii) of such Act is amended by striking out "May" and inserting in lieu thereof "November."

"(4) Section 215(b)(2)(B) of such Act is amended by striking out "May" each place it appears and inserting in lieu thereof "November."

"(b)(1) Section 215(b)(4) of such Act is amended by inserting ", as modified by the application of the amendments made by section 111(b)(2) of the Social Security Act Amendments of 1983," after "as in effect in December 1974" where it first appears.

"(2) Section 215(d) of such Act as in effect in December 1978, and as applied in certain cases under the provisions of such Act as in effect after December 1978, is amended—

(A) by striking out "March 31 in each year after 1974" in paragraph (1)(A) and inserting in lieu thereof "September 30 in each year after 1983";

(B) by striking out "June" in paragraph (2)(A)(ii) and inserting in lieu thereof "December"; and

(C) by striking out "May" each place it appears in paragraph (2)(B) and inserting in lieu thereof "November."

"(3) Section 204(a)(5)(A) of such Act is amended by striking out "June" and inserting in lieu thereof "December."

"(4) Section 204(a) of such Act is amended by striking out "June" and inserting in lieu thereof "December."

"(5) Section 204(a) of such Act (as it applies in certain cases by reason of section 2 of Public Law 97-123) is amended by striking out "May" and inserting in lieu thereof "November."

"(6) The amendments made by this section shall apply with respect to cost-of-living increases determined under section 215(d) of the Social Security Act for years after 1983; except that the amendments made by subsections (a)(1) and (b)(2)(A) shall apply only with respect to cost-of-living increases determined under such section 215(d) for years after 1983.

"(c) Notwithstanding any provision to the contrary in section 215(b) of the Social Security Act, the "base quarter" (as defined in paragraph (1)(A)(ii) of such section) in the calendar year 1980 shall be a "cost-of-living computation quarter" within the meaning of paragraph (1)(B) of such section (and

shall be deemed to have been determined by the Secretary of Health and Human Services to be a "cost-of-living computation quarter" under paragraph (2)(A) of such section) for all of the purposes of such Act as amended by this section and by other provisions of this Act, without regard to the extent by which the Consumer Price Index has increased since the last prior cost-of-living computation quarter which was established under such paragraph (1)(B).

COST-OF-LIVING INCREASES TO BE BASED ON EITHER WAGES OR PRICES (WHICHEVER IS LOWER) WHEN BALANCE IN OASDI TRUST FUNDS FALLS BELOW SPECIFIED LEVEL

Sec. 112. (a) Section 215(i)(1) of the Social Security Act is amended—

(1) by striking out "in which" in subparagraph (B) and all that follows down through the first semicolon in such subparagraph and inserting in lieu thereof "with respect to which the applicable increase percentage is 3 percent or more;"

(2) by striking out "and" at the end of subparagraph (B);

(3) by redesignating subparagraph (C) as subparagraph (H); and

(4) by inserting after subparagraph (B) the following new subparagraphs:

"(C) the term 'applicable increase percentage' means—

"(i) with respect to a base quarter or cost-of-living computation quarter in any calendar year before 1988, or in any calendar year after 1987 for which the OASDI fund ratio is 20.0 percent or more, the CPI increase percentage; and

"(ii) with respect to a base quarter or cost-of-living computation quarter in any calendar year after 1987 for which the OASDI fund ratio is less than 20.0 percent, the CPI increase percentage or the wage increase percentage, whichever (with respect to that quarter) is the lower;

"(D) the term 'CPI increase percentage', with respect to a base quarter or cost-of-living computation quarter in any calendar year, means the percentage (rounded to the nearest one-tenth of 1 percent) by which the Consumer Price Index for that quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under subparagraph (A)(i) or, if later, the most recent cost-of-living computation quarter under subparagraph (B);

"(E) the term 'wage increase percentage', with respect to a base quarter or cost-of-living computation quarter in any calendar year, means the percentage (rounded to the nearest one-tenth of 1 percent) by which the SSA average wage index for the year immediately preceding such calendar year exceeds such index for the year immediately preceding the most recent prior calendar year which included a base quarter under subparagraph (A)(i) or, if later, which included a cost-of-living computation quarter;

"(F) the term 'OASDI fund ratio', with respect to any calendar year, means the ratio of—

"(i) the combined balance in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, reduced by the outstanding amount of any loan (including interest thereon) theretofore made to either such Fund from the Federal Hospital Insurance Trust Fund under section 201(i), as of the beginning of such year, to

"(ii) the total amount which (as estimated by the Secretary) will be paid from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund during such calendar year for all purposes authorized by section 201 (other than payments of interest on, or repayments of, loans from the Federal Hospi-

tal Insurance Trust Fund under section 201(i)), but excluding any transfer payments between such trust funds and reducing the amount of any transfers to the Railroad Retirement Account by the amount of any transfers into either such trust fund from that Account;

"(G) the term 'SSA average wage index', with respect to any calendar year, means the average of the total wages reported to the Secretary of the Treasury or his delegate for the preceding calendar year as determined for purposes of subsection (b)(3)(A)(ii); and"

(b) Section 215(i)(2)(A)(ii) of such Act is amended by striking out "by the same percentage" and all that follows down through the semicolon, in the sentence immediately following subdivision (III), and inserting in lieu thereof "by the applicable increase percentage;"

(c) Section 215(i) of such Act is further amended by adding at the end thereof the following new paragraph:

"(5)(A) If—

"(i) with respect to any calendar year the 'applicable increase percentage' was determined under clause (ii) of paragraph (1)(C) rather than under clause (i) of such paragraph, and the increase becoming effective under paragraph (2) in such year was accordingly determined on the basis of the wage increase percentage rather than the CPI increase percentage (or there was no such increase becoming effective under paragraph (2) in that year because the wage increase percentage was less than 3 percent), and

"(ii) for any subsequent calendar year in which an increase under paragraph (2) becomes effective the OASDI fund ratio is greater than 32.0 percent, then each of the amounts described in subdivisions (I), (II), and (III) of paragraph (2)(A)(ii), as increased under paragraph (2) effective with the month of December in such subsequent calendar year, shall be further increased (effective with such month) by an additional percentage, which shall be determined under subparagraph (B) and shall apply as provided in subparagraph (C).

"(B) The applicable additional percentage by which the amounts described in subdivisions (I), (II), and (III) of paragraph (2)(A)(ii) are to be further increased under subparagraph (A) in the subsequent calendar year involved shall be the difference between—

"(i) the compounded percentage benefit increases that would have been paid if all increases under paragraph (2) had been made on the basis of the CPI increase percentage, and

"(ii) the compounded percentage benefit increases that were actually paid under paragraph (2) and this paragraph, with such increases being measured—

"(iii) in the case of amounts described in subdivision (I) of paragraph (2)(A)(ii), over the period beginning with the calendar year in which the individual first became entitled to monthly benefits described in such subdivision and ending with such subsequent calendar year, and

"(iv) in the case of amounts described in subdivisions (II) and (III) of paragraph (2)(A)(ii), over the period beginning with the calendar year in which the individual whose primary insurance amount is increased under such subdivision (II) initially became eligible for an old-age or disability insurance benefit, or died before becoming so eligible, and ending with such subsequent calendar year;

except that if the Secretary determines in any case that the application (in accordance with subparagraph (C)) of the additional percentage as computed under the preced-

ing provisions of this subparagraph would cause the OASDI fund ratio to fall below 32.0 percent in the calendar year immediately following such subsequent year, he shall reduce such applicable additional percentage to the extent necessary to ensure that the OASDI fund ratio will remain at or above 32.0 percent through the end of such following year.

"(C) Any applicable additional percentage increase in an amount described in subdivision (I), (II), or (III) of paragraph (2)(A)(ii), made under this paragraph in any calendar year, shall thereafter be treated for all the purposes of this Act as a part of the increase made in such amount under paragraph (2) for that year."

(d)(1) Section 215(i)(2)(C) of such Act is amended by adding at the end thereof the following new clause:

"(iii) The Secretary shall determine and promulgate the OASDI fund ratio and the SSA wage index for each calendar year before November 1 of that year, based upon the most recent data then available, and shall include a statement of such fund ratio and wage index (and of the effect such ratio and the level of such index may have upon benefit increases under this subsection) in any notification made under clause (i) and any determination published under subparagraph (D)."

(2) Section 215(i)(4) of such Act (as amended by section 111(b)(1) of this Act) is further amended by striking out "section 111(b)(2)" and inserting in lieu thereof "sections 111(b)(2) and 112".

(e) The amendments made by the preceding provisions of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1987.

(f) Notwithstanding anything to the contrary in section 215(i)(1)(F) of the Social Security Act (as added by subsection (a)(4) of this section), the combined balance in the Trust Funds which is to be used in determining the "OASDI fund ratio" with respect to the calendar year 1988 under such section shall be the estimated combined balance in such Funds as of the close of that year (rather than as of its beginning).

ELIMINATION OF WINDFALL BENEFITS FOR INDIVIDUALS RECEIVING PENSIONS FROM NONCOVERED EMPLOYMENT

Sec. 113. (a) Section 215(a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(7)(A) In the case of an individual whose primary insurance amount would be computed under paragraph (1) of this subsection, who—

"(i) attains age 62 after 1985 (except where he or she became entitled to a disability insurance benefit before 1986 and remained so entitled in any of the 12 months immediately preceding his or her attainment of age 62), or

"(ii) would attain age 62 after 1985 and becomes entitled to a disability insurance benefit after 1985,

and who is entitled to a monthly periodic payment (including a payment determined under subparagraph (C)) based in whole or in part upon his or her earnings for service which did not constitute 'employment' as defined in section 210 for purposes of this title (hereafter in this paragraph and in subsection (d)(5) referred to as 'noncovered service'), the primary insurance amount of that individual during his or her concurrent entitlement to such monthly periodic payment and to old-age or disability insurance benefits shall be computed or recomputed under subparagraph (B) with respect to the initial month in which the individual be-

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comes eligible for such benefits. Notwithstanding the preceding sentence, in no case shall the primary insurance amount of an insured individual be computed or recomputed under this paragraph if the monthly periodic payment to which such individual is entitled is based in whole or in part on earnings derived from the performance of service as an employee of the United States, or of an instrumentality of the United States, before 1971, and such service constituted 'employment' as defined in section 210(a).

"(B) If paragraph (1) of this subsection would apply to such an individual (except for subparagraph (A) of this paragraph), there shall first be computed an amount equal to the individual's primary insurance amount under the preceding paragraphs of this subsection, except that for purposes of such computation the percentage of the individual's average indexed monthly earnings established by subparagraph (A)(i) of paragraph (1) shall be 61 percent. There shall then be computed (without regard to this paragraph) a second amount, which shall be equal to the individual's primary insurance amount under the preceding paragraphs of this subsection, except that such second amount shall be reduced by an amount equal to one-half of the portion of the monthly periodic payment which is attributable to noncovered service (with such attribution being based on the proportionate number of years of noncovered service) and to which the individual is entitled (or is deemed to be entitled) for the initial month of his or her eligibility for old-age or disability insurance benefits. The individual's primary insurance amount shall be the larger of the two amounts computed under this subparagraph (before the application of subsection (f)) and shall be deemed to be computed under paragraph (1) of this subsection for the purpose of applying other provisions of this title.

"(C)(i) Any periodic payment which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly payment (as determined by the Secretary), and such equivalent monthly payment shall constitute a monthly periodic payment for purposes of this paragraph.

"(ii) In the case of an individual who has elected to receive a periodic payment that has been reduced so as to provide a survivors benefit to any other individual, the payment shall be deemed to be increased (for purposes of any computation under this paragraph or subsection (d)(5)) by the amount of such reduction.

"(iii) If an individual to whom subparagraph (A) applies is eligible for a periodic payment beginning with a month that is subsequent to the month in which he or she becomes eligible for old-age or disability insurance benefits, the amount of that payment (for purposes of subparagraph (B)) shall be deemed to be the amount to which he or she is, or is deemed to be, entitled (subject to clauses (i), (ii), and (iv) of this subparagraph) in such subsequent month.

"(iv) For purposes of this paragraph, the term 'periodic payment' includes a payment payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(b) Section 215(d) of such Act is amended by adding at the end thereof the following new paragraph:

"(5) In the case of an individual whose primary insurance amount is not computed under paragraph (1) of subsection (a) by reason of paragraph (4)(B)(ii) of that subsection, who—

"(A) attains age 62 after 1985 (except where he or she became entitled to a disability insurance benefit before 1986, and remained so entitled in any of the 12 months immediately preceding his or her attainment of age 62), or

"(B) would attain age 62 after 1985 and becomes entitled to a disability insurance benefit after 1985,

and who is entitled to a monthly periodic payment (including a payment determined under subsection (a)(7)(C) based on the whole or in part) upon his or her earnings in noncovered service, the primary insurance amount of such individual during his or her concurrent entitlement to such monthly periodic payment and to old-age or disability insurance benefits shall be the primary insurance amount computed or recomputed under this subsection (without regard to this paragraph and before the application of subsection (f)) reduced by an amount equal to the smaller of—

"(i) one-half of the primary insurance amount (computed without regard to this paragraph and before the application of subsection (f)), or

"(ii) one-half of the portion of the monthly periodic payment (or payment determined under subsection (a)(7)(C) which is attributable to noncovered service (with such attribution being based on the proportionate number of years of noncovered service) and to which the individual is entitled (or is deemed to be entitled) for the initial month of his or her eligibility for old-age or disability insurance benefits.

Notwithstanding the preceding sentence, in no case shall the primary insurance amount of an insured individual be computed or recomputed under this paragraph if the monthly periodic payment to which such individual is entitled is based in whole or in part on earnings derived from the performance of service as an employee of the United States, or of an instrumentality of the United States, before 1971, and such service constituted 'employment' as defined in section 210(a).

(c) Section 215(f) of such Act is amended by adding at the end thereof the following new paragraph:

"(5)(A) In the case of an individual who becomes entitled to a periodic payment determined under subsection (a)(7)(A) (including a payment determined under subsection (a)(7)(C)) in a month subsequent to the first month in which he or she becomes entitled to an old-age or disability insurance benefit, and whose primary insurance amount has been computed without regard to either such subsection or subsection (d)(5), such individual's primary insurance amount shall be recomputed, in accordance with either such subsection or subsection (d)(5), as may be applicable, effective with the first month of his or her concurrent entitlement to such benefit and such periodic payment.

"(B) If an individual's primary insurance amount has been computed under subsection (a)(7) or (d)(5), and it becomes necessary to recompute that primary insurance amount under this subsection—

"(i) so as to increase the monthly benefit amount payable with respect to such primary insurance amount (except in the case of the individual's death), such increase shall be determined as though such primary insurance amount had initially been computed without regard to subsection (a)(7) or (d)(5), or

"(ii) by reason of the individual's death, such primary insurance amount shall be recomputed without regard to (and as though it had never been computed with regard to) subsection (a)(7) or (d)(5)."

(d) Sections 202(c)(2) and 202(f)(3) of such Act are each amended by striking out "sec-

tion 215(f)(5) or (6)" wherever it appears and inserting in lieu thereof "section 215(f)(5), 215(f)(6), or 215(f)(9)(B)".

INCREASE IN OLD-AGE INSURANCE BENEFIT AMOUNTS ON ACCOUNT OF DELAYED RETIREMENT

SEC. 114. (a) Section 202(w)(1)(A) of the Social Security Act is amended to read as follows:

"(A) the applicable percentage (as determined under paragraph (6)) of such amount, multiplied by"

(b) Section 202(w) of such Act is further amended by adding at the end thereof the following new paragraph:

"(5) For purposes of paragraph (1)(A), the 'applicable percentage' is—

"(A) $\frac{1}{2}$ of 1 percent in the case of an individual who first becomes eligible for an old-age insurance benefit in any calendar year before 1979;

"(B) $\frac{1}{4}$ of 1 percent in the case of an individual who first becomes eligible for an old-age insurance benefit in any calendar year after 1979 and before 1987;

"(C) in the case of an individual who first becomes eligible for an old-age insurance benefit in a calendar year after 1987 and before 2004, a percentage equal to the applicable percentage in effect under this paragraph for persons who first became eligible for an old-age insurance benefit in the preceding calendar year (as increased pursuant to this subparagraph), plus $\frac{1}{4}$ of 1 percent if the calendar year in which that particular individual first becomes eligible for such benefit is not evenly divisible by 2; and

"(D) $\frac{1}{2}$ of 1 percent in the case of an individual who first becomes eligible for an old-age insurance benefit in a calendar year after 2004."

PART C—REVENUE PROVISIONS

SEC. 12. TAXATION OF SOCIAL SECURITY TIER 1 AND RAILROAD RETIREMENT BENEFITS.

(a) GENERAL RULE.—Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to amounts specifically included in gross income) is amended by redesignating section 86 as section 87 and by inserting after section 85 the following new section:

SEC. 86. SOCIAL SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS.

"(a) IN GENERAL.—Gross income for the taxable year of any taxpayer described in subsection (b) includes social security benefits in an amount equal to the lesser of—

"(1) one-half of the social security benefits received during the taxable year, or

"(2) one-half of the gross described in subsection (b).

"(b) TAXPAYERS TO WHOM SUBSECTION (a) APPLIES.—A taxpayer is described in this subsection if—

"(1) the sum of—

"(A) the adjusted gross income of the taxpayer for the taxable year (determined without regard to this section and sections 221, 911, and 941), plus

"(B) one-half of the social security benefits received during the taxable year, exceeds

"(2) the base amount.

"(c) BASE AMOUNT.—For purposes of this section, the term 'base amount' means—

"(1) except as otherwise provided in this subsection, \$25,000.

"(2) \$32,000, in the case of a joint return, and

"(3) zero, in the case of a taxpayer who—

"(A) is married at the close of the taxable year (within the meaning of section 143) but does not file a joint return for such year, and

"(B) does not live apart from his spouse at all times during the taxable year.

"(d) SOCIAL SECURITY BENEFIT.—

"(1) IN GENERAL.—For purposes of this section, the term 'social security benefit' means any amount received by the taxpayer by reason of entitlement to—

"(A) a monthly benefit under title II of the Social Security Act, or

"(B) a tier 1 railroad retirement benefit.

"(2) ADJUSTMENT FOR REPAYMENTS DURING YEAR.—

"(A) IN GENERAL.—For purposes of this section, the amount of social security benefits received during any taxable year shall be reduced by any repayment made by the taxpayer during the taxable year of a social security benefit previously received by the taxpayer (whether or not such benefit was received during the taxable year).

"(B) DENIAL OF DEDUCTION.—If (but for this subparagraph) any portion of the repayments referred to in subparagraph (A) would have been allowable as a deduction for the taxable year under section 165, such portion shall be allowable as a deduction only to the extent it exceeds the social security benefits received by the taxpayer during the taxable year (and not repaid during such taxable year).

"(3) WORKMEN'S COMPENSATION BENEFITS SUBSTITUTED FOR SOCIAL SECURITY BENEFITS.—For purposes of this section, if, by reason of section 224 of the Social Security Act (or by reason of section 3(a)(1) of the Railroad Retirement Act of 1974), any social security benefit is reduced by reason of the receipt of a benefit under a workmen's compensation act, the term 'social security benefit' includes that portion of such benefit received under the workmen's compensation act which equals such reduction.

"(4) TIER 1 RAILROAD RETIREMENT BENEFIT.—For purposes of paragraph (1), the term 'tier 1 railroad retirement benefit' means a monthly benefit under section 3(a), 4(a), 4(f) of the Railroad Retirement Act of 1974.

"(e) LIMITATION ON AMOUNT INCLUDED WHERE TAXPAYER RECEIVES LUMP-SUM PAYMENT.—**"(1) LIMITATION.—If—**

"(A) any portion of a lump-sum payment of social security benefits received during the taxable year is attributable to prior taxable years, and

"(B) the taxpayer makes an election under this subsection for the taxable year, then the amount included in gross income under this section for the taxable year by reason of the receipt of such portion shall not exceed the sum of the increases in gross income under this chapter for prior taxable years which would result solely from taking into account such portion in the taxable years to which it is attributable.

"(2) SPECIAL RULES.—

"(A) YEAR TO WHICH BENEFIT ATTRIBUTABLE.—For purposes of this subsection, a social security benefit is attributable to a taxable year if the generally applicable payment date for such benefit occurred during such taxable year.

"(B) ELECTION.—An election under this subsection shall be made at such time and in such manner as the Secretary shall by regulations prescribe. Such election, once made, may be revoked only with the consent of the Secretary.

"(f) TREATMENT AS PENSION OR ANNUITY FOR CERTAIN PURPOSES.—For purposes of—

"(1) section 43(c)(2) (defining earned income),

"(2) section 219(f)(1) (defining compensation),

"(3) section 221(b)(2) (defining earned income), and

"(4) section 911(b)(1) (defining foreign earned income),

any social security benefit shall be treated as an amount received as a pension or annuity."

(b) INFORMATION REPORTING.—Subpart B of part III of subchapter A of chapter 61 of such Code (relating to information concerning transactions with other persons) is amended by adding at the end thereof the following new section:

"SEC. 6050F. RETURNS RELATING TO SOCIAL SECURITY BENEFITS.

"(a) REQUIREMENT OF REPORTING.—The appropriate Federal official shall make a return, according to the forms and regulations prescribed by the Secretary, setting forth—

"(1) the—

"(A) aggregate amount of social security benefits paid with respect to any individual during any calendar year,

"(B) aggregate amount of social security benefits repaid by such individual during such calendar year, and

"(C) aggregate reductions under section 224 of the Social Security Act (or under section 3(a)(1) of the Railroad Retirement Act of 1974) in benefits which would otherwise have been paid to such individual during the calendar year on account of amounts received under a workmen's compensation act, and

"(2) the name and address of such individual.

"(b) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every person making a return under subsection (a) shall furnish to each individual whose name is set forth in such return a written statement showing—

"(1) the name of the agency making the payments, and

"(2) the aggregate amount of payments, of repayments, and of reductions, with respect to the individual as shown on such return.

The written statement required under the preceding sentence shall be furnished to the individual on or before January 31 of the year following the calendar year for which the return under subsection (a) was made.

"(c) DEFINITIONS.—For purposes of this section—

"(1) APPROPRIATE FEDERAL OFFICIAL.—The term 'appropriate Federal official' means—

"(A) the Secretary of Health and Human Services in the case of social security benefits described in section 86(d)(1)(A), and

"(B) the Railroad Retirement Board in the case of social security benefits described in section 86(d)(1)(B).

"(2) SOCIAL SECURITY BENEFIT.—The term 'social security benefit' has the meaning given to such term by section 86(d)(1)."

"(c) TREATMENT OF NONRESIDENT ALIENS.—

(1) AMENDMENT OF SECTION 871(a).—Subsection (a) of section 871 of such Code (relating to tax on income not connected with United States business) is amended by adding at the end thereof the following new paragraph:

"(3) TAXATION OF SOCIAL SECURITY BENEFITS.—For purposes of this section and section 1441—

"(A) one-half of any social security benefit (as defined in section 86(d)) shall be included in gross income, and

"(B) section 86 shall not apply."

(2) AMENDMENT OF SECTION 1441.—Section 1441 of such Code (relating to withholding of tax on nonresident aliens) is amended by adding at the end thereof the following new subsection:

"(g) CROSS REFERENCE.—

"For provision treating one-half of social security benefits as subject to withholding under this section, see section 871(a)(3)."

(3) DISCLOSURE OF INFORMATION TO SOCIAL SECURITY ADMINISTRATION OR RAILROAD RETIREMENT BOARD.—

(A) IN GENERAL.—Subsection (h) of section 6103 of such Code (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended by adding at the end thereof the following new paragraph:

"(6) WITHHOLDING OF TAX FROM SOCIAL SECURITY BENEFITS.—Upon written request, the Secretary may disclose available return information from the master files of the Internal Revenue Service with respect to the address and status of an individual as a non-resident alien or as a citizen or resident of the United States to the Social Security Administration or the Railroad Retirement Board for purposes of carrying out its responsibilities for withholding tax under section 1441 from social security benefits (as defined in section 86(d))."

(B) CONFORMING AMENDMENT.—Paragraph (4) of section 6103(p) of such Code (relating to safeguards) is amended by inserting "(h)(6)," after "(h)(2)," in the material preceding subparagraph (A) and in subparagraph (F)(ii), thereof.

(d) SOCIAL SECURITY BENEFITS TREATED AS UNITED STATES SOURCED.—Subsection (a) of section 861 of such Code (relating to income from sources within the United States) is amended by adding at the end thereof the following new paragraph:

"(8) SOCIAL SECURITY BENEFITS.—Any social security benefit (as defined in section 86(d))."

(e) TRANSFERS TO TRUST FUNDS.—

(1) IN GENERAL.—There are hereby appropriated to each payor fund amounts equivalent to the aggregate increase in tax liabilities under chapter 1 of the Internal Revenue Code of 1954 which is attributable to the application of sections 86 and 871(a)(3) of such Code (as added by this section) to payments from such payor fund.

(2) TRANSFERS.—The amounts appropriated by paragraph (1) to any payor fund shall be transferred from time to time (but not less frequently than quarterly) from the general fund of the Treasury on the basis of estimates made by the Secretary of the Treasury of the amounts referred to in such paragraph. Any such quarterly payment shall be made on the first day of such quarter and shall take into account social security benefits estimated to be received during such quarter. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(3) DEFINITIONS.—For purposes of this subsection—

(A) PAYOR FUND.—The term "payor fund" means any trust fund or account from which payments of social security benefits are made.

(B) SOCIAL SECURITY BENEFITS.—The term "social security benefits" has the meaning given such term by section 86(d)(1) of the Internal Revenue Code of 1954.

(4) REPORTS.—The Secretary of the Treasury shall submit annual reports to the Congress and to the Secretary of Health and Human Services and the Railroad Retirement Board on—

(A) the transfers made under this subsection during the year, and the methodology used in determining the amount of such transfers and the funds or account to which made, and

(B) the anticipated operation of this subsection during the next 5 years.

(f) TECHNICAL AMENDMENTS.—

(1) Subsection (a) of section 85 of such Code is amended by striking out "this section," and inserting in lieu thereof "this section, section 86."

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(2) Subparagraph (B) of section 128(c)(3) of such Code (as in effect for taxable years beginning after December 31, 1984) is amended by striking out "85" and inserting in lieu thereof "85, 86".

(3) The table of sections for part II of subchapter B of chapter 1 of such Code is amended by striking out the item relating to section 86 and inserting in lieu thereof the following:

"Sec. 86. Social security and tier 1 railroad retirement benefits.

"Sec. 87. Alcohol fuel credit."

(4) The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end thereof the following new item:

"Sec. 6050F. Returns relating to social security benefits."

(g) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to benefits received after December 31, 1983, in taxable years ending after such date.

(2) TREATMENT OF CERTAIN LUMP-SUM PAYMENTS RECEIVED AFTER DECEMBER 31, 1983.—The amendments made by this section shall not apply to any portion of a lump-sum payment of social security benefits (as defined in section 86(d) of the Internal Revenue Code of 1954) received after December 31, 1983, if the generally applicable payment date for such portion was before January 1, 1984.

SEC. 121. CREDIT FOR THE ELDERLY AND THE PERMANENTLY AND TOTALLY DISABLED.

(a) GENERAL RULE.—Section 37 of the Internal Revenue Code of 1954 (relating to credit for the elderly) is amended to read as follows:

"SEC. 37. CREDIT FOR THE ELDERLY AND THE PERMANENTLY AND TOTALLY DISABLED.

"(a) GENERAL RULE.—In the case of a qualified individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 15 percent of such individual's section 37 amount for such taxable year.

"(b) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means any individual—

"(1) who has attained age 65 before the close of the taxable year, or

"(2) who retired on disability before the close of the taxable year and who, when he retired, was permanently and totally disabled.

"(c) SECTION 37 AMOUNT.—For purposes of subsection (a)—

"(1) IN GENERAL.—An individual's section 37 amount for the taxable year shall be the applicable initial amount determined under paragraph (2), reduced as provided in paragraph (3) and in subsection (d).

"(2) INITIAL AMOUNT.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the initial amount shall be—

"(i) \$5,000 in the case of a single individual, or a joint return where only one spouse is a qualified individual,

"(ii) \$7,500 in the case of a joint return where both spouses are qualified individuals, or

"(iii) \$3,750 in the case of a married individual filing a separate return.

"(B) LIMITATION IN CASE OF INDIVIDUALS WHO HAVE NOT ATTAINED AGE 65.—

"(i) IN GENERAL.—In the case of a qualified individual who has not attained age 65 before the close of the taxable year, except as provided in clause (ii), the initial amount shall not exceed the disability income for the taxable year.

"(ii) SPECIAL RULES IN CASE OF JOINT RETURN.—In the case of a joint return where

both spouses are qualified individuals and at least one spouse has not attained age 65 before the close of the taxable year—

"(I) if both spouses have not attained age 65 before the close of the taxable year, the initial amount shall not exceed the sum of such spouses' disability income, or

"(II) if one spouse has attained age 65 before the close of the taxable year, the initial amount shall not exceed the sum of \$5,000 plus the disability income for the taxable year of the spouse who has not attained age 65 before the close of the taxable year.

"(iii) DISABILITY INCOME.—For purposes of this subparagraph, the term 'disability income' means the aggregate amount includable in the gross income of the individual for the taxable year under section 72 or 105(a) to the extent such amount constitutes wages (or payments in lieu of wages) for the period during which the individual is absent from work on account of permanent and total disability.

"(3) REDUCTION.—

"(A) IN GENERAL.—The reduction under this paragraph is an amount equal to the sum of the amounts received by the individual (or, in the case of a joint return, by either spouse) as a pension or annuity or as a disability benefit—

"(i) under title II of the Social Security Act,

"(ii) under the Railroad Retirement Act of 1974, or

"(iii) otherwise excluded from gross income.

"(B) NO REDUCTION FOR CERTAIN EXCLUSIONS.—No reduction shall be made under clause (iii) of subparagraph (A) for any amount excluded from gross income under section 72 (relating to annuities), 101 (relating to life insurance proceeds), 104 (relating to compensation for injuries or sickness), 105 (relating to amounts received under accident and health plans), 120 (relating to amounts received under qualified group legal services plans), 402 (relating to taxability of beneficiary of employees' trust), 403 (relating to taxation of employee annuities), or 405 (relating to qualified bond purchase plans).

"(C) TREATMENT OF CERTAIN WORKMEN'S COMPENSATION BENEFITS.—For purposes of subparagraph (A), any amount treated as a social security benefit under section 86(d)(3) shall be treated as a disability benefit received under title II of the Social Security Act.

"(d) LIMITATIONS.—

"(1) ADJUSTED GROSS INCOME LIMITATION.—If the adjusted gross income of the taxpayer exceeds—

"(A) \$7,500 in the case of a single individual,

"(B) \$10,000 in the case of a joint return, or

"(C) \$5,000 in the case of a married individual filing a separate return, the section 37 amount shall be reduced by one-half of the excess of the adjusted gross income over \$7,500, \$10,000, or \$5,000, as the case may be.

"(2) LIMITATION BASED ON AMOUNT OF TAX.—The amount of the credit allowed by this section for the taxable year shall not exceed the amount of the tax imposed by this chapter for such taxable year.

"(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) MARRIED COUPLE MUST FILE JOINT RETURN.—Except in the case of a husband and wife who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the credit provided by this section shall be allowed only if the taxpayer and his spouse file a joint return for the taxable year.

"(2) MARITAL STATUS.—Marital status shall be determined under section 143.

"(3) PERMANENT AND TOTAL DISABILITY DEFINED.—An individual is permanently and totally disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual shall not be considered to be permanently and totally disabled unless he furnishes proof of the existence thereof in such form and manner, and at such times, as the Secretary may require.

"(f) NONRESIDENT ALIEN INELIGIBLE FOR CREDIT.—No credit shall be allowed under this section to any nonresident alien."

(b) REPEAL OF EXCLUSION FOR CERTAIN DISABILITY PAYMENTS.—Subsection (d) of section 105 of such Code (relating to certain disability payments) is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1) Sections 41(b)(2), 44A(b)(2), 46(a)(4)(B), 53(a)(2), and 904(g) of such Code are each amended by striking out "relating to credit for the elderly" and inserting in lieu thereof "relating to credit for the elderly and the permanently and totally disabled".

(2) Subsection (a) of section 85 of such Code is amended by striking out ", section 105(d)".

(3) Subparagraph (B) of section 128(c)(3) of such Code (as in effect for taxable years beginning after December 31, 1984) is amended by striking out "105(d)".

(4) Paragraph (3) of section 403(b) of such Code is amended by striking out "sections 105(d) and 911" and inserting in lieu thereof "section 911".

(5) Clause (i) of section 415(c)(3)(C) of such Code is amended by striking out "section 105(d)(4)" and inserting in lieu thereof "section 37(e)(3)".

(6) Paragraph (6) of section 7871(a) of such Code is amended by striking out subparagraph (A), and by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively.

(7) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by striking out the item relating to section 37 and inserting in lieu thereof the following:

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1983.

(2) TRANSITIONAL RULE.—If an individual's annuity starting date was deferred under section 105(d)(6) of the Internal Revenue Code of 1954 (as in effect on the day before the date of the enactment of this section), such deferral shall end on the first day of such individual's first taxable year beginning after December 31, 1983.

SEC. 122. ACCELERATION OF INCREASES IN FICA TAXES; 1984 EMPLOYEE TAX CREDIT.

(a) ACCELERATION OF INCREASES IN FICA TAXES.—

(1) TAX ON EMPLOYEES.—Subsection (a) of section 3101 of the Internal Revenue Code of 1954 (relating to rate of tax on employees for old-age, survivors, and disability insurance) is amended by striking out paragraphs (1) through (7) and inserting in lieu thereof the following:

"In cases of wages received during:	The rate shall be:
1984, 1985, 1986, or 1987.....	5.7 percent
1988 or 1989.....	6.06 percent
1990 or thereafter.....	6.2 percent."

(2) EMPLOYER TAX.—Subsection (a) of section 3111 of such Code is amended by strik-

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ing out paragraphs (1) through (7) and inserting in lieu thereof the following:

In case of wages received during:	The rate shall be:
1984, 1985, 1986, or 1987.....	5.7 percent
1988 or 1989.....	6.66 percent
1990 or thereafter.....	6.2 percent."

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to remuneration paid after December 31, 1983.

(b) **1984 EMPLOYEE TAX CREDIT.**—

(1) **IN GENERAL.**—Chapter 25 of such Code is amended by adding at the end thereof the following new section:

"SEC. 3510. CREDIT FOR INCREASED SOCIAL SECURITY EMPLOYEE TAXES AND RAILROAD RETIREMENT TIER 1 EMPLOYEE TAXES IMPOSED DURING 1984.

"(a) **GENERAL RULE.**—There shall be allowed as a credit against the tax imposed by section 3101(a) on wages received during 1984 an amount equal to 1/2 of 1 percent of the wages so received.

"(b) **TIME CREDIT ALLOWED.**—The credit under subsection (a) shall be taken into account in determining the amount of the tax deducted under section 3102(a).

"(c) **WAGES.**—For purposes of this section, the term 'wages' has the meaning given to such term by section 3121(a).

"(d) **APPLICATION TO AGREEMENTS UNDER SECTION 218 OF THE SOCIAL SECURITY ACT.**—For purposes of determining amounts equivalent to the tax imposed by section 3101(a) with respect to remuneration which—

"(1) is covered by an agreement under section 218 of the Social Security Act, and

"(2) is paid during 1984,

the credit allowed by subsection (a) shall be taken into account. A similar rule shall also apply in the case of an agreement under section 3121(f).

"(e) **CREDIT AGAINST RAILROAD RETIREMENT EMPLOYEE AND EMPLOYEE REPRESENTATIVE TAXES.**—

"(1) **IN GENERAL.**—There shall be allowed as a credit against the taxes imposed by sections 3201(a) and 3211(a) on compensation paid during 1984 and subject to such taxes an amount equal to 1/2 of 1 percent of such compensation.

"(2) **TIME CREDIT ALLOWED.**—The credit under paragraph (1) shall be taken into account in determining the amount of the tax deducted under section 3202(a) (or the amount of the tax under section 3211(a)).

"(3) **COMPENSATION.**—For purposes of this subsection, the term 'compensation' has the meaning given to such term by section 3231(e).

"(f) **COORDINATION WITH SECTION 6413(c).**—For purposes of subsection (c) of section 6413, in determining the amount of the tax imposed by section 3101 or 3201, any credit allowed by this section shall be taken into account."

(2) **CLERICAL AMENDMENT.**—The table of sections for chapter 25 of such Code is amended by adding at the end thereof the following new item.

"Sec. 3510. Credit for increased social security employee taxes and railroad retirement tier 1 employee taxes imposed during 1984."

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to remuneration paid during 1984.

(4) **DEPOSITS IN SOCIAL SECURITY TRUST FUNDS.**—For purposes of subsection (h) of section 218 of the Social Security Act (relating to deposits in social security trust funds of amounts received under section 218 agreements), amounts allowed as a credit pursuant to subsection (d) of section 3510 of the Internal Revenue Code of 1954 (relating to credit for remuneration paid during 1984 which is covered under an agreement under

section 218 of the Social Security Act) shall be treated as amounts received under such an agreement.

(5) **DEPOSITS IN RAILROAD RETIREMENT ACCOUNTS.**—For purposes of subsection (a) of section 15 of the Railroad Retirement Act of 1974, amounts allowed as a credit under subsection (e) of section 3510 of the Internal Revenue Code of 1954 shall be treated as amounts covered into the Treasury under subsection (a) of section 3201 of such Code.

SEC. 324. TAXES ON SELF-EMPLOYMENT INCOME; CREDIT AGAINST SUCH TAXES.

(a) **INCREASE IN RATES.**—Subsections (a) and (b) of section 1401 of the Internal Revenue Code of 1954 (relating to rates of tax on self-employment income) are amended to read as follows:

"(a) **OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.**—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax equal to the following percent of the amount of the self-employment income for such taxable year:

In the case of a taxable year		Percent
Beginning after:	And before:	
December 31, 1983.....	January 1, 1986.....	11.40
December 31, 1984.....	January 1, 1990.....	12.12
December 31, 1989.....		12.40

"(b) **HOSPITAL INSURANCE.**—In addition to the tax imposed by the preceding subsection, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax equal to the following percent of the amount of the self-employment income for such taxable year:

In the case of a taxable year		Percent
Beginning after:	And before:	
December 31, 1983.....	January 1, 1985.....	2.60
December 31, 1984.....	January 1, 1986.....	2.70
December 31, 1985.....		2.90."

(b) **CREDIT AGAINST SELF-EMPLOYMENT TAXES.**—Section 1401 of such Code is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) **CREDIT AGAINST TAXES IMPOSED BY THIS SECTION.**—

"(1) **IN GENERAL.**—There shall be allowed as a credit against the taxes imposed by this section for any taxable year an amount equal to 1.8 percent (1.9 percent in the case of taxable years beginning after December 31, 1987) of the self-employment income of the individual for such taxable year.

"(2) **ADDITIONAL CREDIT FOR 1984.**—In addition to the credit allowed by paragraph (1), there shall be allowed as a credit against the taxes imposed by this section for any taxable year beginning during 1984 an amount equal to 1/2 of 1 percent of the self-employment income of the individual for such taxable year."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1983.

ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

SEC. 125. (a) Section 201(b)(1) of the Social Security Act is amended by striking out clauses (K) through (M) and inserting in lieu thereof the following: "(K) 1.65 per centum of the wages (as so defined) paid after December 31, 1981, and before January 1, 1983, and so reported, (L) 1.25 per centum of the wages (as so defined) paid after December 31, 1982, and before January 1, 1984, and so reported, (M) 1.00 per

centum of the wages (as so defined) paid after December 31, 1983, and before January 1, 1990, and so reported, and (N) 1.20 per centum of the wages (as so defined) paid after December 31, 1989, and so reported."

(b) Section 201(b)(2) of such Act is amended by striking out clauses (K) through (M) and inserting in lieu thereof the following: "(K) 1.2375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1981, and before January 1, 1983, (L) 0.9375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1982, and before January 1, 1984, (M) 1.00 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1983, and before January 1, 1990, and (N) 1.20 per centum of the self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1989."

PART D—BENEFITS FOR CERTAIN SURVIVING, DIVORCED, AND DISABLED SPOUSES

BENEFITS FOR SURVIVING DIVORCED SPOUSES AND DISABLED WIDOWS AND WIDOWERS WHO REMARRY

SEC. 131. (a)(1) Section 202(e)(3) of the Social Security Act is repealed.

(2) Section 202(e)(4) of such Act is amended to read as follows:

"(4) For purposes of paragraph (1), if—

"(A) a widow or surviving divorced wife marries after attaining age 60 (or after attaining age 50 if she was entitled before such marriage occurred to benefits based on disability under this subsection), or

"(B) a disabled widow or disabled surviving divorced wife described in paragraph (1)(B)(i) marries after attaining age 50, such marriage shall be deemed not to have occurred."

(3)(A) Section 202(e) of such Act is further amended by redesignating paragraph (4) (as amended by paragraph (2) of this subsection), and paragraphs (5) through (8), as paragraphs (3) through (7), respectively.

(B) Section 202(e)(1)(B)(ii) of such Act is amended by striking out "(5)" and inserting in lieu thereof "(4)".

(C) Section 202(e)(1)(F) of such Act is amended by striking out "(6)" in clause (i) and "(5)" in clause (ii) and inserting in lieu thereof "(5)" and "(4)", respectively.

(D) Section 202(e)(2)(A) of such Act is amended by striking out "(3)" and inserting in lieu thereof "(7)".

(E) The paragraph of section 202(e) of such Act redesignated as paragraph (5) by subparagraph (A) of this paragraph is amended by striking out "(5)" and inserting in lieu thereof "(4)".

(F) The paragraph of such section 202(e) redesignated as paragraph (7) by subparagraph (A) of this paragraph is amended by striking out "(4)" and inserting in lieu thereof "(3)".

(G) Section 202(k) of such Act is amended by striking out "(e)(4)" each place it appears in paragraphs (2)(B) and (3)(B) and inserting in lieu thereof "(e)(3)".

(H) Section 226(e)(1)(A) of such Act is amended by striking out "202(e)(5)" and inserting in lieu thereof "202(e)(4)".

(b)(1) Section 202(f)(4) of such Act is repealed.

(2) Section 202(f)(5) of such Act is amended to read as follows:

"(5) For purposes of paragraph (1), if—

"(A) a widower marries after attaining age 60 (or after attaining age 50 if he was entitled before such marriage occurred to benefits based on disability under this subsection), or

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"(B) a disabled widower described in paragraph (1)(B)(ii) marries after attaining age 60,

such marriage shall be deemed not to have occurred."

(3)(A) Section 202(f) of such Act is further amended by redesignating paragraph (5) (as amended by paragraph (2) of this subsection), and paragraphs (6) through (8), as paragraphs (4) through (7), respectively.

(B) Section 202(f)(1)(B)(ii) of such Act is amended by striking out "(6)" and inserting in lieu thereof "(5)".

(C) Section 202(f)(1)(F) of such Act is amended by striking out "(7)" in clause (1) and "(6)" in clause (ii) and inserting in lieu thereof "(6)" and "(5)", respectively.

(D) Section 202(f)(2)(A) of such Act is amended by striking out "(5)" and inserting in lieu thereof "(4)".

(E) The paragraph of section 202(f) of such Act redesignated as paragraph (6) by subparagraph (A) of this paragraph is amended by striking out "(6)" and inserting in lieu thereof "(5)".

(F) Section 202(k) of such Act is amended by striking out "(f)(5)" each place it appears in paragraphs (2)(B) and (3)(B) and inserting in lieu thereof "(f)(4)".

(G) Section 220(e)(1)(A) of such Act is amended by striking out "202(f)(6)" and inserting in lieu thereof "202(f)(5)".

(c)(1) Section 302(a)(3) of such Act is amended by striking out "Subsection (f)(4), and so much of subsections (b)(3), (d)(5), (e)(3), (g)(3), and (h)(4)" and inserting in lieu thereof "So much of subsections (b)(3), (d)(5), (g)(3), and (h)(4)".

(2) Section 202(a)(3) of such Act is amended by striking out "(e)(3)".

(d)(1) The amendments made by this section shall be effective with respect to monthly benefits payable under title II of the Social Security Act for months after December 1983.

(2) In the case of an individual who was not entitled to a monthly benefit of the type involved under title II of such Act for December 1983, no benefit shall be paid under such title by reason of such amendments unless proper application for such benefit is made.

ENTITLEMENT TO DIVORCED SPOUSE'S BENEFITS BEFORE ENTITLEMENT OF INSURED INDIVIDUAL TO BENEFITS; EXEMPTION OF DIVORCED SPOUSE'S BENEFITS FROM DEDUCTION ON ACCOUNT OF WORK

Sec. 132. (a) Section 202(b) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(5)(A) Notwithstanding the preceding provisions of this subsection, except as provided in subparagraph (B), the divorced wife of an individual who is not entitled to old-age or disability insurance benefits, but who has attained age 62 and is a fully insured individual (as defined in section 214), if such divorced wife—

"(i) meets the requirements of subparagraphs (A) through (D) of paragraph (1), and

"(ii) has been divorced from such insured individual for not less than 2 years, shall be entitled to a wife's insurance benefit under this subsection for each month, in such amount, and beginning and ending with such months, as determined (under regulations of the Secretary) in the manner otherwise provided for wife's insurance benefits under this subsection, as if such insured individual had become entitled to old-age insurance benefits on the date on which the divorced wife first meets the criteria for entitlement set forth in clauses (i) and (ii).

"(B) A wife's insurance benefit provided under this paragraph which has not otherwise terminated in accordance with subpara-

graph (E), (F), (H), or (J) of paragraph (1) shall terminate with the month preceding the first month in which the insured individual is no longer a fully insured individual."

(b)(1)(A) Section 203(h) of such Act is amended—

(i) by inserting "(1)" after "(b)";

(ii) by striking out "(1) such individual's benefit" and "(2) if such individual" and inserting in lieu thereof "(A) such individual's benefit" and "(B) if such individual", respectively;

(iii) by striking out "clauses (1) and (2)" and inserting in lieu thereof "clauses (A) and (B)";

(iv) by striking out "(A) an individual" and "(B) if a deduction" and inserting in lieu thereof "(A) an individual" and "(B) if a deduction", respectively; and

(v) by adding at the end thereof the following new paragraph:

"(2) When any of the other persons referred to in paragraph (1)(B) is entitled to monthly benefits as a divorced spouse under section 202 (b) or (c) for any month, the benefit to which he or she is entitled on the basis of the wages and self-employment income of the individual referred to in paragraph (1) for such month shall be determined without regard to this subsection, and the benefits of all other individuals who are entitled for such month to monthly benefits under section 202 on the basis of the wages and self-employment income of such individual referred to in paragraph (1) shall be determined as if no such divorced spouse were entitled to benefits for such month."

(B)(i) Section 203(f)(1) of such Act is amended—

(i) in the first sentence, by inserting "(excluding surviving spouses referred to in subsection (b)(2))" after "all other persons" the first place it appears, and by striking out "all other persons" the second place it appears and inserting in lieu thereof "all such other persons"; and

(ii) in the second sentence, by inserting "(excluding divorced spouses referred to in subsection (b)(2))" after "other persons".

(ii) Section 203(f)(7) of such Act is amended by inserting "(excluding divorced spouses referred to in subsection (b)(2))" after "all persons".

(2) Section 203(d)(1) of such Act is amended—

(A) by inserting "(A)" after "(d)(1)"; and

(B) by adding at the end thereof the following new subparagraph:

"(B) When any divorced spouse is entitled to monthly benefits under section 202 (b) or (c) for any month, the benefit to which he or she is entitled for such month on the basis of the wages and self-employment income of the individual entitled to old-age insurance benefits referred to in subparagraph (A) shall be determined without regard to this paragraph, and the benefits of all other individuals who are entitled for such month to monthly benefits under section 202 on the basis of the wages and self-employment income of such individual referred to in subparagraph (A) shall be determined as if no such divorced spouse were entitled to benefits for such month."

(c)(1) The amendments made by subsection (a) shall apply with respect to monthly insurance benefits for months after December 1984, but only on the basis of applications filed on or after January 1, 1985.

(2) The amendments made by subsection (b) shall apply with respect to monthly insurance benefits for months after December 1984.

INDEXING OF DEFERRED SURVIVING SPOUSE'S BENEFITS TO RECENT WAGE LEVELS

Sec. 133. (a)(1) Section 202(e)(2) of the Social Security Act is amended—

(A) by redesignating subparagraph (B) as subparagraph (D); and

(B) by striking out "(3)(A) Except" and all that follows down through "If such deceased individual" and inserting in lieu thereof the following:

"(3)(A) Except as provided in subsection (q), paragraph (8) of this subsection, and subparagraph (D) of this paragraph, such widow's insurance benefit for each month shall be equal to the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual.

"(B)(i) For purposes of this subsection, in any case in which such deceased individual dies before attaining age 62 and section 215(a)(1) (as in effect after December 1978) is applicable in determining such individual's primary insurance amount—

"(i) such primary insurance amount shall be determined under the formula set forth in section 215(a)(1)(B)(i) and (ii) which is applicable to individuals who initially become eligible for old-age insurance benefits in the second year after the year specified in clause (ii).

"(ii) the year specified in clause (ii) shall be substituted for the second calendar year specified in section 215(b)(3)(A)(i), and

"(iii) such primary insurance amount shall be increased under section 215(i) as if it were the primary insurance amount referred to in section 235(i)(3)(A)(ii), except that it shall be increased only for years beginning after the first year after the year specified in clause (ii).

"(ii) The year specified in this clause is the earlier of—

"(i) the year in which the deceased individual attained age 60, or would have attained age 60 had he lived to that age, or

"(ii) the second year preceding the year in which the widow or surviving divorced wife first meets the requirements of paragraph (1)(B) or the second year preceding the year in which the deceased individual died, whichever is later.

"(iii) This subparagraph shall apply with respect to any benefit under this subsection only to the extent its application does not result in a primary insurance amount for purposes of this subsection which is less than the primary insurance amount otherwise determined for such deceased individual under section 215.

"(C) If such deceased individual"

(2) Section 202(e) of such Act (as amended by paragraph (1) of this subsection) is further amended—

(A) in paragraph (1)(D) and in the matter in paragraph (1) following subparagraph (F)(ii), by inserting "(as determined after application of subparagraphs (B) and (C) of paragraph (2))" after "primary insurance amount"; and

(B) in paragraph (2)(D)(ii), by inserting "(as determined without regard to subparagraph (C))" after "primary insurance amount".

(b)(1) Section 202(f)(3) of such Act is amended—

(A) by redesignating subparagraph (B) as subparagraph (D); and

(B) by striking out "(3)(A) Except" and all that follows down through "If such deceased individual" and inserting in lieu thereof the following:

"(3)(A) Except as provided in subsection (q), paragraph (2) of this subsection, and subparagraph (D) of this paragraph, such widower's insurance benefit for each month

shall be equal to the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual.

"(B)(i) For purposes of this subsection, in any case in which such deceased individual dies before attaining age 62 and section 215(a)(1) (as in effect after December 1978) is applicable in determining such individual's primary insurance amount—

"(I) such primary insurance amount shall be determined under the formula set forth in section 215(a)(1)(B) (i) and (ii) which is applicable to individuals who initially become eligible for old-age insurance benefits in the second year after the year specified in clause (ii),

"(II) the year specified in clause (ii) shall be substituted for the second calendar year specified in section 215(b)(3)(A)(ii)(I), and

"(III) such primary insurance amount shall be increased under section 215(i) as if it were the primary insurance amount referred to in section 215(i)(2)(A)(ii)(II), except that it shall be increased only for years beginning after the first year after the year specified in clause (ii).

"(ii) The year specified in this clause is the earlier of—

"(I) the year in which the deceased individual attained age 60, or would have attained age 60 had she lived to that age, or

"(II) the second year preceding the year in which the widower first meets the requirements of paragraph (1)(B) or the second year preceding the year in which the deceased individual died, whichever is later.

"(iii) This subparagraph shall apply with respect to any benefit under this subsection only to the extent its application does not result in a primary insurance amount for purposes of this subsection which is less than the primary insurance amount otherwise determined for such deceased individual under section 215.

"(C) If such deceased individual".

(2) Section 202(f) of such Act (as amended by paragraph (1) of this subsection) is further amended—

(A) in paragraph (1)(D) and in the matter in paragraph (1) following subparagraph (F)(ii), by inserting "(as determined after application of subparagraphs (B) and (C) of paragraph (3))" after "primary insurance amount"; and

(B) in paragraph (3)(D)(ii), by inserting "(as determined without regard to subparagraph (C))" after "primary insurance amount".

(c) The amendments made by this section shall apply with respect to monthly insurance benefits for months after December 1984 for individuals who first meet all criteria for entitlement to benefits under section 202 (e) or (f) of the Social Security Act (other than making application for such benefits) after December 1984.

LIMITATION ON BENEFIT REDUCTION FOR EARLY RETIREMENT IN CASE OF DISABLED WIDOWS AND WIDOWERS

SEC. 134. (a)(1) Section 202(q)(1) of the Social Security Act is amended by striking out the semicolon at the end of subparagraph (B)(ii) and all that follows and inserting in lieu thereof a period.

(2)(A) Section 202(q)(6) of such Act is amended to read as follows:

"(6) For purposes of this subsection, the 'reduction period' for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the period—

"(A) beginning—

"(i) in the case of an old-age or husband's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit,

"(ii) in the case of a wife's insurance benefit, with the first day of the first month for which a certificate described in paragraph (5)(A)(i) is effective, or

"(iii) in the case of a widow's or widower's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit or the first day of the month in which such individual attains age 60, whichever is the later, and

"(B) ending with the last day of the month before the month in which such individual attains retirement age."

(B) Section 202(q)(3)(G) of such Act is amended by striking out "paragraph (6)(A) (or, if such paragraph does not apply, the period specified in paragraph (6)(B))" and inserting in lieu thereof "paragraph (6)".

(C) Section 202(q) of such Act is further amended, in paragraphs (1)(B)(i), (3)(E)(ii), and (3)(F)(ii)(I), by striking out "paragraph (6)(A)" and inserting in lieu thereof "paragraph (6)".

(3) Section 202(q)(7) of such Act is amended by striking out the matter preceding subparagraph (A) and inserting in lieu thereof the following:

"(7) For purposes of this subsection, the 'adjusted reduction period' for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the reduction period prescribed in paragraph (6) for such benefit, excluding—"

(4) Section 202(q)(10) of such Act is amended—

(A) in that part of the second sentence preceding clause (A), by striking out "or an additional adjusted reduction period";

(B) in clauses (B)(i) and (C)(i), by striking out "plus the number of months in the adjusted additional reduction period multiplied by $\frac{1}{4}$ of 1 percent";

(C) in clause (B)(ii), by striking out "plus the number of months in the additional reduction period multiplied by $\frac{1}{4}$ of 1 percent," and

(D) in clause (C)(ii), by striking out "plus the number of months in the adjusted additional reduction period multiplied by $\frac{1}{4}$ of 1 percent."

(b) Section 202(m)(2)(B) of such Act (as applicable after the enactment of section 2 of Public Law 97-123) is amended by striking out "subsection (q)(6)(A)(ii)" and inserting in lieu thereof "subsection (q)(6)(B)".

(c) The amendments made by this section shall apply with respect to benefits for months after December 1983.

PART E—MECHANISMS TO ASSURE CONTINUED BENEFIT PAYMENTS IN UNEXPECTEDLY ADVERSE CONDITIONS

NORMALIZED CREDITING OF SOCIAL SECURITY TAXES TO TRUST FUNDS

SEC. 141. (a)(1) The last sentence of section 201(a) of the Social Security Act is amended—

(A) by striking out "from time to time" each place it appears and inserting in lieu thereof "monthly on the first day of each calendar month"; and

(B) by striking out "paid to or deposited into the Treasury" and inserting in lieu thereof "to be paid to or deposited into the Treasury during such month".

(2) Section 201(a) of such Act is further amended by adding at the end thereof the following new sentence: "All amounts transferred to either Trust Fund under the preceding sentence shall be invested by the Managing Trustee in the same manner and to the same extent as the other assets of such Trust Fund; and such Trust Fund shall pay interest to the general fund on the amount so transferred on the first day of any month at a rate (calculated on a daily basis, and applied against the difference between the amount so transferred on such

first day and the amount which would have been transferred to the Trust Fund up to that day under the procedures in effect on January 1, 1983) equal to the rate earned by the investments of such Fund in the same month under subsection (d)."

(b)(1) The last sentence of section 1817(a) of such Act is amended—

(A) by striking out "from time to time" and inserting in lieu thereof "monthly on the first day of each calendar month"; and

(B) by striking out "paid to or deposited into the Treasury" and inserting in lieu thereof "to be paid to or deposited into the Treasury during such month".

(2) Section 1817(a) of such Act is further amended by adding at the end thereof the following new sentence: "All amounts transferred to the Trust Fund under the preceding sentence shall be invested by the Managing Trustee in the same manner and to the same extent as the other assets of the Trust Fund; and the Trust Fund shall pay interest to the general fund on the amount so transferred on the first day of any month at a rate (calculated on a daily basis, and applied against the difference between the amount so transferred on such first day and the amount which would have been transferred to the Trust Fund up to that day under the procedures in effect on January 1, 1983) equal to the rate earned by the investments of the Trust Fund in the same month under subsection (c)."

(c) The amendments made by this section shall become effective on the first day of the month following the month in which this Act is enacted.

INTERFUND BORROWING EXTENSION

SEC. 142. (a) Sections 201(i)(1) and 1817(j)(1) of the Social Security Act are each amended by striking out "January 1983" and inserting in lieu thereof "January 1, 1988".

(b) Sections 201(i)(3) and 1817(j)(3) of such Act are each amended by inserting before the period at the end thereof the following: "but the full amount of all such loans (whether made before or after January 1, 1983) shall be repaid at the earliest feasible date and in any event no later than December 31, 1989".

RECOMMENDATIONS BY BOARD OF TRUSTEES TO REMEDY INADEQUATE BALANCES IN THE SOCIAL SECURITY TRUST FUNDS

SEC. 143. Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"RECOMMENDATIONS BY BOARD OF TRUSTEES TO REMEDY INADEQUATE BALANCES IN THE SOCIAL SECURITY TRUST FUNDS

"SEC. 709. If the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, or the Federal Supplementary Medical Insurance Trust Fund determines at any time that the balance of such Trust Fund may become inadequate to assure the timely payment of benefits from such Trust Fund, the Board shall promptly submit to each House of the Congress a report setting forth its recommendations for statutory adjustments affecting the receipts and disbursements to and from such Trust Fund necessary to remedy such inadequacy, with due regard to the economic conditions which created such inadequacy and the amount of time necessary to alleviate such inadequacy in a prudent manner."

PART F—OTHER FINANCING AMENDMENTS

FINANCING OF NONCONTRIBUTORY MILITARY WAGE CREDITS

SEC. 151. (a) Section 217(g) of the Social Security Act is amended to read as follows:

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"Appropriation to Trust Funds"

"(g)(1) Within thirty days after the date of the enactment of the Social Security Amendments of 1983, the Secretary shall determine the amount equal to the excess of—

"(A) the actuarial present value as of such date of enactment of the past and future benefit payments from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund under this title and title XVIII, together with associated administrative costs, resulting from the operation of this section (other than this subsection) and section 210 of this Act as in effect before the enactment of the Social Security Act Amendments of 1950, over

"(B) any amounts previously transferred from the general fund of the Treasury to such Trust Funds pursuant to the provisions of this subsection as in effect immediately before the date of the enactment of the Social Security Act Amendments of 1983.

Such actuarial present value shall be based on the relevant actuarial assumptions set forth in the report of the Board of Trustees of each such Trust Fund for 1983 under sections 201(c) and 1817(b). Within thirty days after the date of the enactment of the Social Security Act Amendments of 1983, the Secretary of the Treasury shall transfer the amount determined under this paragraph with respect to each such Trust Fund to such Trust Fund from amounts in the general fund of the Treasury not otherwise appropriated.

"(2) The Secretary shall revise the amount determined under paragraph (1) with respect to each such Trust Fund in 1985 and each fifth year thereafter, as determined appropriate by the Secretary from data which becomes available to him after the date of the determination under paragraph (1) on the basis of the amount of benefits and administrative expenses actually paid from such Trust Fund under this title or title XVIII and the relevant actuarial assumptions set forth in the report of the Board of Trustees of such Trust Fund for such year under section 201(c) or 1817(b). Within 30 days after any such revision, the Secretary of the Treasury, to the extent provided in advance in appropriation Acts, shall transfer to such Trust Fund, from amounts in the general fund of the Treasury not otherwise appropriated, or from such Trust Fund to the general fund of the Treasury, such amounts as the Secretary of the Treasury determines necessary to compensate for such revision."

(b)(1) Section 229(b) of such Act is amended to read as follows:

"(b) There are authorized to be appropriated to each of the Trust Funds, consisting of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund, for transfer on July 1 of each calendar year to such Trust Fund from amounts in the general fund in the Treasury not otherwise appropriated, an amount equal to the total of the additional amounts which would be appropriated to such Trust Fund for the fiscal year ending September 30 of such calendar year under section 201 or 1817 of this Act if the amounts of the additional wages deemed to have been paid for such calendar year by reason of subsection (a) constituted remuneration for employment (as defined in section 3121(b) of the Internal Revenue Code of 1954) for purposes of the taxes imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954. Amounts authorized

to be appropriated under this subsection for transfer on July 1 of each calendar year shall be determined on the basis of estimates of the Secretary of the wages deemed to be paid for such calendar year under subsection (a); and proper adjustments shall be made in amounts authorized to be appropriated for subsequent transfer to the extent prior estimates were in excess of or were less than such wages so deemed to be paid."

(2) The amendment made by paragraph (1) shall be effective with respect to wages deemed to have been paid for calendar years after 1982.

(3)(A) Within thirty days after the date of the enactment of this Act, the Secretary of Health and Human Services shall determine the additional amounts which would have been appropriated to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund under sections 201 and 1817 of the Social Security Act if the additional wages deemed to have been paid under section 229(a) of the Social Security Act prior to 1983 had constituted remuneration for employment (as defined in section 3121(b) of the Internal Revenue Code of 1954) for purposes of the taxes imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954, and the amount of interest which would have been earned on such amounts if they had been so appropriated.

(B)(i) Within thirty days after the date of the enactment of this Act, the Secretary of the Treasury shall transfer to each such Trust Fund, from amounts in the general fund of the Treasury not otherwise appropriated, an amount equal to the amount determined with respect to such Trust Fund under subparagraph (A), less any amount appropriated to such Trust Fund pursuant to the provisions of section 229(b) of the Social Security Act prior to the date of the determination made under paragraph (1) with respect to wages deemed to have been paid for calendar years prior to 1983.

(ii) The Secretary of Health and Human Services shall revise the amount determined under clause (i) with respect to each such Trust Fund within one year after the date of the transfer made to such Trust Fund under clause (i), as determined appropriate by such Secretary from data which becomes available to him after the date of the transfer under clause (i). Within 30 days after any such revision, the Secretary of the Treasury shall transfer to such Trust Fund, from amounts in the general fund of the Treasury not otherwise appropriated, or from such Trust Fund to the general fund of the Treasury, such amounts as the Secretary of Health and Human Services certifies as necessary to compensate for such revision.

ACCOUNTING FOR CERTAIN UNNEGOTIATED CHECKS FOR BENEFITS UNDER THE SOCIAL SECURITY PROGRAM

Sec. 152. (a) Section 201 of the Social Security Act (as amended by section 143 of this Act) is further amended by adding at the end thereof the following new subsection:

"(n)(1) The Secretary of the Treasury shall implement procedures to permit the identification of each check issued for benefits under this title that has not been presented for payment by the close of the sixth month following the month of its issuance.

"(2) The Secretary of the Treasury shall, on a monthly basis, credit each of the Trust Funds for the amount of all benefit checks (including interest thereon) drawn on such Trust Fund more than 6 months previously but not presented for payment and not previously credited to such Trust Fund.

"(3) If a benefit check is presented for payment to the Treasury and the amount thereof has been previously credited pursuant to paragraph (2) to one of the Trust Funds, the Secretary of the Treasury shall nevertheless pay such check, if otherwise proper, recharge such Trust Fund, and notify the Secretary of Health and Human Services.

"(4) A benefit check bearing a current date may be issued to an individual who did not negotiate the original benefit check and who surrenders such check for cancellation if the Secretary of the Treasury determines it is necessary to effect proper payment of benefits."

(b) The amendment made by subsection (a) shall apply with respect to all checks for benefits under title II of the Social Security Act which are issued on or after the first day of the twenty-fourth month following the month in which this Act is enacted.

(c)(1) The Secretary of the Treasury shall transfer from the general fund of the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund and to the Federal Disability Insurance Trust Fund, in the month following the month in which this Act is enacted and in each of the succeeding 30 months, such sums as may be necessary to reimburse such Trust Funds in the total amount of all checks (including interest thereon) which he and the Secretary of Health and Human Services jointly determine to be unnegotiated benefit checks. After any amounts authorized by this subsection have been transferred to a Trust Fund with respect to any benefit check, the provisions of paragraphs (3) and (4) of section 201(m) of the Social Security Act (as added by subsection (a) of this section) shall be applicable to such check.

(2) As used in paragraph (1), the term "unnegotiated benefit checks" means checks for benefits under title II of the Social Security Act which are issued prior to the twenty-fourth month following the month in which this Act is enacted, which remain unnegotiated after the sixth month following the date on which they were issued, and with respect to which no transfers have previously been made in accordance with the first sentence of such paragraph.

TITLE II—ADDITIONAL PROVISIONS RELATING TO LONG-TERM FINANCING OF THE SOCIAL SECURITY SYSTEM

ADJUSTMENTS IN BASIC BENEFIT FORMULA

Sec. 201. (a) Section 215(a)(1)(A) of the Social Security Act is amended by striking out "90 percent" in clause (i), "32 percent" in clause (ii), and "15 percent" in clause (iii) and inserting in lieu thereof in each instance "the applicable percentage (determined under paragraph (3))".

(b) The first sentence of section 215(a)(7)(B) of such Act (as added by section 113(a) of this Act) is amended by striking out "61 percent" and inserting in lieu thereof "the applicable percentage as determined under paragraph (3)".

(c) Section 215(a) of such Act is further amended by adding at the end thereof (after the new paragraph added by section 113 of this Act) the following new paragraph:

"(8) The 'applicable percentages' for purposes of clauses (i), (ii), and (iii) of paragraph (1)(A), and the 'applicable percentage' for purposes of the first sentence of paragraph (7)(B), shall be determined as follows:

For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in—	The 'applicable percentage'—			
	for purposes of clause (i) of paragraph (1)(A) is—	for purposes of clause (ii) of paragraph (1)(A) is—	for purposes of clause (iii) of paragraph (1)(A) is—	for purposes of the first sentence of paragraph (7)(B) is—
any year from 1979 through 1999.....	90.0	32.0	15.0	61.0
2000.....	89.4	31.8	14.9	60.6
2001.....	88.8	31.6	14.8	60.2
2002.....	88.2	31.4	14.7	59.8
2003.....	87.6	31.1	14.6	59.4
2004.....	87.0	30.9	14.5	59.0
2005.....	86.4	30.7	14.4	58.6
2006.....	85.8	30.5	14.3	58.2
2007 or thereafter.....	85.2	30.3	14.2	57.7

ADJUSTMENTS IN OASDI TAX RATES

SEC. 202. (a) Section 3101(a) of the Internal Revenue Code of 1954 (relating to rate of tax on employees for old-age, survivors, and disability insurance), as amended by section 123(a)(1) of this Act, is further amended by striking out the last line of the table and inserting in lieu thereof the following:

"1990 through 2014.....	6.2 percent
2015 or thereafter.....	6.44 percent."

(b) Section 3111(a) of such Code (relating to rate of tax on employers for old-age, survivors, and disability insurance), as amended by section 123(a)(2) of this Act, is further amended by striking out the last line of the table and inserting in lieu thereof the following:

"1990 through 2014.....	6.2 percent
2015 or thereafter.....	6.44 percent."

(c) Section 1401(a) of such Code (relating to rate of tax on self-employment income for old-age, survivors, and disability insurance), as amended by section 124(a) of this Act, is further amended by striking out the last line of the table and inserting in lieu thereof the following:

"December 31, 1989.....	January 1, 2015	212.40
December 31, 2014.....		12.88."

(d) The amendments made by this section shall apply to remuneration paid, and taxable years beginning, after December 31, 2014.

TITLE III—MISCELLANEOUS AND TECHNICAL PROVISIONS

PART A—CASH MANAGEMENT

FLOAT PERIODS

SEC. 301. (a) The Secretary of Health and Human Services and the Secretary of the Treasury shall jointly undertake, as soon as possible after the date of the enactment of this Act, a thorough study with respect to the period of time (hereafter in this section referred to as the "float period") between the issuance of checks from the general fund of the Treasury in payment of monthly insurance benefits under title II of the Social Security Act and the transfer to the general fund from the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, as applicable, of the amounts necessary to compensate the general fund for the issuance of such checks. Each such Secretary shall consult the other regularly during the course of the study and shall, as appropriate, provide the other with such information and assistance as he may require.

(b) The study shall include—

(1) an investigation of the feasibility and desirability of maintaining the float periods which are allowed as of the date of the enactment of this section in the procedures

governing the payment of monthly insurance benefits under title II of the Social Security Act, and of the general feasibility and desirability of making adjustments in such procedures with respect to float periods; and

(2) a separate investigation of the feasibility and desirability of providing, as a specific form of adjustment in such procedures with respect to float periods, for the transfer each day to the general fund of the Treasury from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, as appropriate, of amounts equal to the amounts of the checks referred to in subsection (a) which are paid by the Federal Reserve Banks on such day.

(c) In conducting the study required by subsection (a), the Secretaries shall consult, as appropriate, the Director of the Office of Management and Budget, and the Director shall provide the Secretaries with such information and assistance as they may require. The Secretaries shall also solicit the views of other appropriate officials and organizations.

(d)(1) Not later than six months after the date of the enactment of this Act, the Secretaries shall submit to the President and the Congress a report of the findings of the investigation required by subsection (b)(1), and the Secretary of the Treasury shall by regulation make such adjustments in the procedures governing the payment of monthly insurance benefits under title II of the Social Security Act with respect to float periods (other than adjustments in the form described in subsection (b)(2)) as may have been found in such investigation to be necessary or appropriate.

(2) Not later than twelve months after the date of the enactment of this Act, the Secretaries shall submit to the President and the Congress a report of the findings of the separate investigation required by subsection (b)(2), together with their recommendations with respect thereto; and, to the extent necessary or appropriate to carry out such recommendations, the Secretary of the Treasury shall by regulation make adjustments in the procedures with respect to float periods in the form described in such subsection.

SEC. 302. (a) Section 218(j) of the Social Security Act is amended—

(1) by inserting "(1)" after "(j)",

(2) by striking out "the rate of 6 percent per annum" and inserting in lieu thereof "the applicable rate determined in accordance with paragraph (2)", and

(3) by adding at the end thereof the following new paragraph:

"(2) For purposes of paragraph (1), the rate of interest applicable to late payments outstanding during the six-month period beginning on January 1, 1984, shall be 9.0 percent per annum. The rate of interest applicable to late payments outstanding during the six-month period beginning on July 1, 1984, and subsequent six-month periods beginning on January 1 or July 1 thereafter, shall be determined by the Secretary of the Treasury not later than 15 days after the end of the base period described in the following sentence and shall be an annual rate equal to the average (rounded to the nearest full percent, or the next higher percent if it is a multiple of 0.5 percent but not of 1.0 percent) of the annual rates of interest applicable to the special obligations issued to the Trust Funds (in accordance with section 201(d)) in each month of such base period. The 'base period' for the rate effective on January 1 of a year is the six-month period ending on the immediately preceding September 30, and the base period for the rate effective on July 1 of a year is the six-month period ending on the immediately preceding March 31."

(b) The amendments made by this section shall apply with respect to payments made after December 31, 1983, under an agreement pursuant to section 218 of the Social Security Act.

TRUST FUND INVESTMENT PROCEDURES

SEC. 303. (a)(1) Section 201(d) of the Social Security Act is amended by striking out the second and third sentences and inserting in lieu thereof the following: "Such investments may be made only in interest-bearing public-debt obligations of the United States which are issued exclusively for purchase by the Trust Funds under title 31 of the United States Code."

(2) The fifth sentence of such section 201(d) is amended to read as follows: "Such obligations shall be redeemable at par plus accrued interest at any time, and shall bear interest in any month (including the month of issue) at a rate equivalent to either (1) the average market yield (determined by the Managing Trustee on the basis of market quotations as of the end of each business day of the preceding month) on all marketable interest-bearing obligations of the United States then forming a part of the public debt (other than 'flower bonds') which are not due or callable until after the expiration of 4 years from the end of such preceding month, or (2) the average market yield (so determined) on all such obligations which are due or callable 4 years or less from the end of such preceding month, whichever average market yield (with respect to the month involved) is larger; except that where such equivalent interest rate is not a multiple of one-eighth of 1 percent, the rate of interest on the obligations involved shall be the multiple of one-eighth of 1 percent nearest such equivalent rate."

(3) Section 201(d) of such Act is further amended by striking out the last sentence, and by inserting in lieu thereof the following: "For purposes of the preceding sentence, the term 'flower bond' means a United States Treasury bond which was issued before March 4, 1971, and which may, at the option of the duly constituted representative of the estate of a deceased individual, be redeemed in advance of maturity and at par (face) value plus accrued interest to the date of payment if (i) it was owned by such deceased individual at the time of his death, (ii) it is part of the estate of such deceased individual, and (iii) such representative authorizes the Secretary of the Treasury to apply the entire proceeds of the redemption of such bond to the payment of Federal estate taxes."

(b)(1) Section 1817(c) of such Act is amended by striking out the second and third sentences and inserting in lieu thereof the following: "Such investments may be made only in interest-bearing public-debt obligations of the United States which are issued exclusively for purchase by the Trust Funds under title 31 of the United States Code."

(2) The fifth sentence of such section 1817(c) is amended to read as follows: "Such obligations shall be redeemable at par plus accrued interest at any time, and shall bear interest in any month (including the month of issue) at a rate equivalent to either (1) the average market yield (determined by the Managing Trustee on the basis of market quotations as of the end of each business day of the preceding month) on all marketable interest-bearing obligations of the United States then forming a part of the public debt (other than 'flower bonds') which are not due or callable until after the expiration of 4 years from the end of such preceding month, or (2) the average market yield (so determined) on all such obligations

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which are due or callable 4 years or less from the end of such preceding month, whichever average market yield (with respect to the month involved) is larger; except that where such equivalent interest rate is not a multiple of one-eighth of 1 percent, the rate of interest on the obligations involved shall be the multiple of one-eighth of 1 percent nearest such equivalent rate."

(3) Section 1817(c) of such Act is further amended by striking out the last sentence, and by inserting in lieu thereof the following: "For purposes of the preceding sentence, the term 'flower bond' means a United States Treasury bond which was issued before March 4, 1971, and which may, at the option of the duly constituted representative of the estate of a deceased individual, be redeemed in advance of maturity and at par (face) value plus accrued interest to the date of payment if (i) it was owned by such deceased individual at the time of his death, (ii) it is part of the estate of such deceased individual, and (iii) such representative authorizes the Secretary of the Treasury to apply the entire proceeds of the redemption of such bond to the payment of Federal estate taxes."

(c)(1) Section 1841(c) of such Act is amended by striking out the second and third sentences and inserting in lieu thereof the following: "Such investments may be made only in interest-bearing public-debt obligations of the United States which are issued exclusively for purchase by the Trust Funds under title 31 of the United States Code."

(2) The fifth sentence of such section 1841(c) is amended to read as follows: "Such obligations shall be redeemable at par plus accrued interest at any time, and shall bear interest in any month (including the month of issue) at a rate equivalent to either (1) the average market yield (determined by the Managing Trustee on the basis of market quotations as of the end of each business day of the preceding month) on all marketable interest-bearing obligations of the United States then forming a part of the public debt (other than 'flower bonds') which are not due or callable until after the expiration of 4 years from the end of such preceding month, or (2) the average market yield (so determined) on all such obligations which are due or callable 4 years or less from the end of such preceding month, whichever average market yield (with respect to the month involved) is larger; except that where such equivalent interest rate is not a multiple of one-eighth of 1 percent, the rate of interest on the obligations involved shall be the multiple of one-eighth of 1 percent nearest such equivalent rate."

(3) Section 1841(c) of such Act is further amended by striking out the last sentence, and by inserting in lieu thereof the following: "For purposes of the preceding sentence, the term 'flower bond' means a United States Treasury bond which was issued before March 4, 1971, and which may, at the option of the duly constituted representative of the estate of a deceased individual, be redeemed in advance of maturity and at par (face) value plus accrued interest to the date of payment if (i) it was owned by such deceased individual at the time of his death, (ii) it is part of the estate of such deceased individual, and (iii) such representative authorizes the Secretary of the Treasury to apply the entire proceeds of the redemption of such bond to the payment of Federal estate taxes."

(d)(1) Not later than the date on which the amendments made by this section become effective under subsection (f), the Secretary of the Treasury shall—

(A) redeem at par plus accrued interest all outstanding obligations of the United States

issued under the Second Liberty Bond Act or title 31 of the United States Code exclusively for purchase by (and then held by) the Federal Old-Age Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund (hereinafter in this subsection referred to as the "Trust Funds");

(B) redeem at market rates all "flower bonds" (as defined in the last sentence of sections 201(d), 1817(c), and 1841(c) of the Social Security Act as amended by this section) then held by the Trust Funds; and

(C) reinvest the proceeds (from the redemptions required under subparagraphs (A) and (B)) in the manner provided in such sections 201(d), 1817(c), and 1841(c) as amended by this section.

(2) Any other marketable obligations held by the Trust Funds at the time of the redemptions required by paragraph (1) shall continue to be so held until their maturity except to the extent it is necessary to redeem or sell them before maturity (at the market price) in order to meet the benefit obligations of the Trust Fund or Funds involved.

(3) Sections 201(e), 1817(d), and 1841(d) of the Social Security Act are repealed.

(e)(1) The next to last sentence of section 201(c) of such Act is amended by striking out "Such report shall also include" and inserting in lieu thereof the following: "Such report shall include an actuarial opinion by the Chief Actuary of the Social Security Administration certifying that the techniques and methodologies used are generally accepted within the actuarial profession and that the assumptions and cost estimates used are reasonable, and shall also include".

(2) Section 1817(b) of such Act is amended by inserting immediately before the last sentence the following new sentence: "Such report shall also include an actuarial opinion by the Chief Actuarial Officer of the Health Care Financing Administration certifying that the techniques and methodologies used are generally accepted within the actuarial profession and that the assumptions and cost estimates used are reasonable."

(3) Section 1841(b) of such Act is amended by inserting immediately before the last sentence the following new sentence: "Such report shall also include an actuarial opinion by the Chief Actuarial Officer of the Health Care Financing Administration certifying that the techniques and methodologies used are generally accepted within the actuarial profession and that the assumptions and cost estimates used are reasonable."

(4) Notwithstanding sections 201(c)(2), 1817(b)(2), and 1841(b)(2) of the Social Security Act, the annual reports of the Boards of Trustees of the Trust Funds which are required in the calendar year 1983 under those sections may be filed at any time not later than forty-five days after the date of the enactment of this Act.

(5) The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(f) Except as otherwise provided, the amendments made by this section shall take effect on the first day of the first month which begins more than thirty days after the date of the enactment of this Act.

BUDGETARY TREATMENT OF TRUST FUND OPERATIONS

SEC. 304. (a)(1) Title VII of the Social Security Act (as amended by section 143 of this Act) is further amended by adding at the end thereof the following new section:

"BUDGETARY TREATMENT OF TRUST FUND OPERATIONS"

"SEC. 710. The disbursements of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund shall be treated as a separate major functional category in the budget of the United States Government as submitted by the President and in the congressional budget, and the receipts of such Trust Funds, including the taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954, shall be set forth separately in such budget."

(2)(A) The amendment made by paragraph (1) shall apply with respect to fiscal years beginning on or after October 1, 1984, and ending on or before September 30, 1988, except that such amendment shall apply with respect to the fiscal year beginning on October 1, 1983, to the extent it relates to the congressional budget.

(b) Effective for fiscal years beginning on or after October 1, 1988, section 710 of such Act (as added by subsection (a) of this section) is amended to read as follows:

"BUDGETARY TREATMENT OF TRUST FUND OPERATIONS"

"SEC. 710. (a) The receipts and disbursement of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund and the taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954 shall not be included in the totals of the budget of the United States Government as submitted by the President or of the congressional budget and shall be exempt from any general budget limitation imposed by statute on expenditures and net lending (budget outlays) of the United States Government.

"(b) The disbursements of the Federal Supplementary Medical Insurance Trust Fund shall be treated as a separate major functional category in the budget of the United States Government as submitted by the President and in the congressional budget, and the receipts of such Trust Fund shall be set forth separately in such budgets."

PART B—ELIMINATION OF GENDER-BASED DISTINCTIONS

DIVORCED HUSBANDS

SEC. 311. (a)(1) Section 202(c)(1) of the Social Security Act is amended, in the matter preceding subparagraph (A), by inserting "and every divorced husband (as defined in section 216(d))" before "of an individual" and by inserting "or such divorced husband" after "if such husband".

(2) Section 202(c)(1) of such Act is further amended—

(A) by striking out "and" at the end of subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (D), and by inserting after subparagraph (B) the following new subparagraph:

"(C) in the case of a divorced husband, is not married, and"; and

(C) by striking out the matter following subparagraph (D) (as so redesignated) and inserting in lieu thereof the following:

"shall be entitled to a husband's insurance benefit for each month, beginning with—

"(i) in the case of a husband or divorced husband (as so defined) of an individual who is entitled to an old-age insurance benefit, if such husband or divorced husband has attained age 65, the first month in which he

meets the criteria specified in subparagraphs (A), (B), (C), and (D), or

"(ii) in the case of a husband or divorced husband (as so defined) of—

"(I) an individual entitled to old-age insurance benefits, if such husband or divorced husband has not attained age 65, or

"(II) an individual entitled to disability insurance benefits,

the first month throughout which he is such a husband or divorced husband and meets the criteria specified in subparagraphs (B), (C), and (D) (if in such month he meets the criterion specified in subparagraph (A)),

whichever is earlier, and ending with the month preceding the month to which any of the following occurs:

"(E) he dies,

"(F) such individual dies,

"(G) in the case of a husband, they are divorced and either (i) he has not attained age 62, or (ii) he has attained age 62 but has not been married to such individual for a period of 10 years immediately before the divorce became effective,

"(H) in the case of a divorced husband, he marries a person other than such individual,

"(I) he becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or

"(J) such individual is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits."

(8) Section 202(c)(3) of such Act is amended by inserting "(or, in the case of a divorced husband, his former wife)" before "for such month".

(4) Section 202(e) of such Act is further amended by adding after paragraph (3) the following new paragraph:

"(4) In the case of any divorced husband who marries—

"(A) an individual entitled to benefits under subsection (b), (e), (g), or (h) of this section, or

"(B) an individual who has attained the age of 18 and is entitled to benefits under subsection (d), by reason of paragraph (1)(B)(ii) thereof,

such divorced husband's entitlement to benefits under this subsection, notwithstanding the provisions of paragraph (1) (but subject to subsection (s)), shall not be terminated by reason of such marriage."

(5) Section 202(c) of such Act is further amended by adding after paragraph (4) (as added by paragraph (4) of this subsection) the following new paragraph:

"(5)(A) Notwithstanding the preceding provisions of this subsection, except as provided in subparagraph (B), the divorced husband of an individual who is not entitled to old-age or disability insurance benefits, but who has attained age 62 and is a fully insured individual (as defined in section 214), if such divorced husband—

"(i) meets the requirements of subparagraphs (A) through (D) of paragraph (1), and

"(ii) has been divorced from such insured individual for not less than 2 years, shall be entitled to a husband's insurance benefit under this subsection for each month, in such amount, and beginning and ending with such months, as determined (under regulations of the Secretary) in the manner otherwise provided for husband's insurance benefits under this subsection, as if such insured individual had become entitled to old-age insurance benefits on the date on which the divorced husband first meets the criteria for entitlement set forth in classes (i) and (ii).

"(B) A husband's insurance benefit provided under this paragraph which has not

otherwise terminated in accordance with subparagraph (E), (F), (H), or (I) of paragraph (1) shall terminate with the month preceding the first month in which the insured individual is no longer a fully insured individual."

(6) Section 202(c)(2)(A) of such Act is amended by inserting "(or divorced husband)" after "payable to such husband".

(7) Section 202(b)(3)(A) of such Act is amended by striking out "(f)" and inserting in lieu thereof "(c), (f)".

(8) Section 202(c)(1)(D) of such Act (as redesignated by paragraph (2) of this subsection) is amended by striking out "his wife" and inserting in lieu thereof "such individual".

(9) Section 202(d)(5)(A) of such Act is amended by inserting "(c)," after "(b)."

(b)(1) Section 202(f)(1) of such Act is amended, in the matter preceding subparagraph (A), by inserting "and every surviving divorced husband (as defined in section 216(d))" before "of an individual" and by inserting "or such surviving divorced husband" after "if such widower".

(2) Section 202(f)(1) of such Act is further amended by striking out "his deceased wife" in subparagraph (D) and in the matter following subparagraph (F) and inserting in lieu thereof "such deceased individual".

(3) Section 202(f)(3)(B)(ii)(II) of such Act (as amended by section 133(b)(1)(B) of this Act) is amended by inserting "or surviving divorced husband" after "widower".

(4) Paragraph (3)(D) of section 202(f) of such Act (as redesignated by section 133(b)(1)(A) of this Act), and paragraphs (4), (5), and (6) of such section (as redesignated by section 131(b)(3)(A) of this Act), are each amended by inserting "or surviving divorced husband" after "widower" wherever it appears.

(5) Paragraph (3)(D) of section 202(f) of such Act (as redesignated by section 133(b)(1)(A) of this Act) is further amended by striking out "wife" wherever it appears and inserting in lieu thereof "individual".

(6) Section 202(g)(3)(A) of such Act is amended by inserting "(c)," before "(f)".

(7) Section 202(h)(4)(A) of such Act is amended by inserting "(c)," before "(e)".

(c)(1) Section 216(d) of such Act is amended by redesignating paragraph (4) as paragraph (6), and by inserting after paragraph (3) the following new paragraphs:

"(4) The term 'divorced husband' means a man divorced from an individual, but only if he had been married to such individual for a period of 10 years immediately before the date the divorce became effective.

"(5) The term 'surviving divorced husband' means a man divorced from an individual who has died, but only if he had been married to the individual for a period of 10 years immediately before the divorce became effective."

(2) The heading of section 216(d) of such Act is amended to read as follows:

"DIVORCED SPOUSES; DIVORCE".

(d)(1) Section 205(b) of such Act is amended by inserting "divorced husband," after "husband," and by inserting "surviving divorced husband," after "widower."

(2) Section 205(c)(1)(C) of such Act is amended by inserting "surviving divorced husband," after "wife."

REMARriage OF SURVIVING SPOUSE BEFORE AGE OF ELIGIBILITY

Sec. 312. Section 202(f)(1)(A) of the Social Security Act is amended by striking out "has not remarried" and inserting in lieu thereof "is not married".

ILLEGITIMATE CHILDREN

Sec. 313. (a) Section 216(h)(3) of the Social Security Act is amended by inserting

"mother or" before "father" wherever it appears.

(b) Section 216(h)(3)(A)(ii) of such Act is amended by striking out all that follows "time" and inserting in lieu thereof "such applicant's application for benefits was filed".

(c) Section 216(h)(3)(B)(ii) of such Act is amended by striking out "such period of disability began" and inserting in lieu thereof "such applicant's application for benefits was filed".

(d) Section 216(h)(3) of such Act is further amended—

(1) by striking out "his" wherever it appears and inserting in lieu thereof "his or her"; and

(2) by striking out "he" in subparagraph (B) and inserting in lieu thereof "he or she".

TRANSITIONAL INSURED STATUS

Sec. 314. (a) Section 227(a) of the Social Security Act is amended—

(1) by striking out "wife" wherever it appears and inserting in lieu thereof "spouse";

(2) by striking out "wife's" wherever it appears and inserting in lieu thereof "spouse's";

(3) by striking out "she" wherever it appears and inserting in lieu thereof "he or she";

(4) by striking out "his" and inserting in lieu thereof "the"; and

(5) by inserting "or section 202(c)" after "section 202(b)" wherever it appears.

(b) Section 227(b) and section 227(c) of such Act are amended—

(1) by striking out "widow" wherever it appears and inserting in lieu thereof "surviving spouse";

(2) by striking out "widow's" wherever it appears and inserting in lieu thereof "surviving spouse's";

(3) by striking out "her" wherever it appears and inserting in lieu thereof "the"; and

(4) by inserting "or section 202(f)" after "section 202(e)" wherever it appears.

(c) Section 216 of such Act is amended by inserting before subsection (b) the following new subsection:

"Spouse; Surviving Spouse

"(a)(1) The term 'spouse' means a wife as defined in subsection (b) or a husband as defined in subsection (f).

"(2) The term 'surviving spouse' means a widow as defined in subsection (c) or a widower as defined in subsection (g)."

EQUALIZATION OF BENEFITS UNDER SECTION 228

Sec. 315. (a) Section 228(b) of the Social Security Act is amended—

(1) by striking out "(1) Except as provided in paragraph (2), the" and inserting in lieu thereof "The"; and

(2) by striking out paragraph (2).

(b) Section 228(c)(2) of such Act is amended by striking out "(B) the larger of" and all that follows and inserting in lieu thereof "(B) the benefit amount as determined without regard to this subsection."

(c) Section 228(c)(3) of such Act is amended to read as follows:

"(3) In the case of a husband or wife both of whom are entitled to benefits under this section for any month, the benefit amount of each spouse, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the other spouse is eligible for such month, over (B) the benefit amount of such other spouse as determined after any reduction under paragraph (1)."

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(d) Section 228 of such Act is further amended—

(1) by striking out "he" wherever it appears in subsections (a) and (c)(1) and inserting in lieu thereof "he or she"; and

(2) by striking out "his" in subsection (c)(4)(C) and inserting in lieu thereof "his or her".

(e) The Secretary shall increase the amounts specified in section 228 of the Social Security Act, as amended by this section, to take into account any general benefit increases (as referred to in section 215(i)(3) of such Act), and any increases under section 215(i) of such Act, which have occurred after June 1974 or may hereafter occur.

FATHER'S INSURANCE BENEFITS

SEC. 316. (a) Section 202(g) of the Social Security Act is amended—

(1) by striking out "widow" wherever it appears and inserting in lieu thereof "surviving spouse";

(2) by striking out "widow's" wherever it appears and inserting in lieu thereof "surviving spouse's";

(3) by striking out "wife's insurance benefits" and "he" in paragraph (1)(D) and inserting in lieu thereof "a spouse's insurance benefit" and "such individual", respectively;

(4) by striking out "her" wherever it appears and inserting in lieu thereof "his or her";

(5) by striking out "she" wherever it appears and inserting in lieu thereof "he or she";

(6) by striking out "mother" wherever it appears and inserting in lieu thereof "parent";

(7) by inserting "or father's" after "mother's" wherever it appears;

(8) by striking out "after August 1950"; and

(9) in paragraph (3)(A) (as amended by section 311(b)(7) of this Act)—

(A) by inserting "this subsection or" before "subsection (a)"; and

(B) by striking out "(c)," and inserting in lieu thereof "(b), (c), (e)."

(b) The heading of section 202(g) of such Act is amended by inserting "and Father's" after "Mother's".

(c) Section 216(d) of such Act (as amended by section 311(c)(1) of this Act) is further amended by redesignating paragraph (6) as paragraph (8) and by inserting after paragraph (5) the following new paragraphs:

"(6) The term 'surviving divorced father' means a man divorced from an individual who has died, but only if (A) he is the father of her son or daughter, (B) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of 18, (C) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the age of 18, or (D) he was married to her at the time both of them legally adopted a child under the age of 18.

"(7) The term 'surviving divorced parent' means a surviving divorced mother as defined in paragraph (3) of this subsection or a surviving divorced father as defined in paragraph (6)."

(d) Section 202(c)(1) of such Act (as amended by section 311(a) of this Act) is further amended by inserting "(subject to subsection (a))" before "be entitled to" in the matter following subparagraph (D) and preceding subparagraph (E).

(e) Section 202(c)(1)(B) of such Act is amended by inserting after "62" the following: "or (in the case of a husband) has in his care (individually or jointly with such individual) at the time of filing such application a child entitled to child's insurance benefits on the basis of the wages and self-employment income of such individual".

(f) Section 202(c)(1) of such Act (as amended by section 311(a) of this Act and the preceding provisions of this section) is further amended by redesignating the new subparagraphs (I) and (J) as subparagraphs (J) and (K), respectively, and by inserting after subparagraph (H) the following new subparagraph:

"(I) in the case of a husband who has not attained age 62, no child of such individual is entitled to a child's insurance benefit."

(g) Section 202(f)(1)(C) of such Act is amended by inserting "(i)" after "(C)", by inserting "or" after "223", and by adding at the end thereof the following new clause:

"(ii) was entitled, on the basis of such wages and self-employment income, to father's insurance benefits for the month preceding the month in which he attained age 65, and"

(h) Section 202(f)(5) of such Act (as redesignated by section 311(b)(3)(A) of this Act) is amended by striking out "or" at the end of subparagraph (A), by redesignating subparagraph (B) as subparagraph (C), and by inserting immediately after subparagraph (A) the following new subparagraph:

"(B) the last month for which he was entitled to father's insurance benefits on the basis of the wages and self-employment income of such individual, or"

(i) Section 203(f)(1)(F) of such Act is amended by striking out "section 202(b) (but only by reason of having a child in her care within the meaning of paragraph (1)(B) of that subsection)" and inserting in lieu thereof "section 202(b) or (c) (but only by reason of having a child in his or her care within the meaning of paragraph (1)(B) of subsection (b) or (c), as may be applicable)".

EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY BENEFITS AND ON OTHER DEPENDENTS' OR SURVIVORS' BENEFITS

SEC. 317. (a) Subsections (b)(3), (d)(5), (g)(3), and (h)(4) of section 202 of the Social Security Act (as amended by the preceding provisions of this Act) are each amended by striking out "; except that" and all that follows and inserting in lieu thereof a period.

(b) The amendments made by subsection (a) shall apply with respect to benefits under title II of the Social Security Act for months after the month in which this Act is enacted, but only in cases in which the "last month" referred to in the provision amended is a month after the month in which this Act is enacted.

CREDIT FOR CERTAIN MILITARY SERVICE

SEC. 318. Section 217(f) of the Social Security Act is amended—

(1) by striking out "widow" each place it appears and inserting in lieu thereof "surviving spouse"; and

(2) by striking out "his" and "her" wherever they appear (except in clause (A) of paragraph (1)) and inserting in lieu thereof in each instance "his or her".

CONFORMING AMENDMENTS

SEC. 319. (a) Section 202(b)(3)(A) of the Social Security Act (as amended by section 311(a)(6) of this Act) is further amended by inserting "(g)," after "(f)."

(b) Section 202(q)(3) of such Act is amended by inserting "or surviving divorced husband" after "widower" in subparagraphs (E), (F), and (G).

(c) Section 202(q)(5) of such Act is amended—

(1) by inserting "or husband's" after "wife's" wherever it appears;

(2) by striking out "her" in subparagraph (A)(i) and inserting in lieu thereof "him or her";

(3) by striking out "her" the second place it appears in subparagraph (A)(ii) and inserting in lieu thereof "the";

(4) by striking out "she" wherever it appears and inserting in lieu thereof "he or she";

(5) by striking out "her" wherever it appears (except where paragraphs (2) and (3) of this subsection apply) and inserting in lieu thereof "his or her";

(6) by striking out "the woman" in subparagraph (B)(ii) and "a woman" in subparagraph (C) and inserting in lieu thereof "the individual" and "an individual", respectively; and

(7) in subparagraph (D)—

(A) by inserting "or widower's" after "widow's";

(B) by striking out "husband" wherever it appears and inserting in lieu thereof "spouse";

(C) by striking out "husband's" wherever it appears and inserting in lieu thereof "spouse's"; and

(D) by inserting "or father's" after "mother's".

(d)(1) Section 202(q)(6)(A) of such Act (as amended by section 134(a)(3) of this Act) is further amended by striking out "or husband's" in clause (i) and by inserting "or husband's" after "wife's" in clause (ii).

(2) Section 203(q)(7) of such Act is amended—

(A) in subparagraph (B), by inserting "or husband's" after "wife's", by striking out "she" and inserting in lieu thereof "such individual", and by inserting "his or" before "her", and

(B) in subparagraph (D), by inserting "or widower's" after "widow's".

(e)(1) Section 202(s)(1) of such Act is amended by inserting "(c)(1)," after "(b)(1)."

(2) Section 202(s)(2) of such Act (as amended by section 131(c)(1) of this Act) is further amended by inserting "(c)(4)," after "(b)(3)."

(3) Section 202(s)(3) of such Act (as amended by section 131(c)(2) of this Act) is further amended by striking out "So much" and all that follows down through "the last sentence" and inserting in lieu thereof "The last sentence".

(f) The third sentence of section 203(b)(1) of such Act (as amended by section 132(b) of this Act) is further amended by inserting "or father's" after "mother's".

(g) Section 203(c) of such Act is amended to read as follows:

"Deductions on Account of Noncovered Work Outside the United States or Failure to Have Child in Care

"(c) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefits or benefit under section 202 for any month—

"(1) in which such individual is under the age of seventy and for more than forty-five hours of which such individual engaged in noncovered remunerative activity outside the United States;

"(2) in which such individual, if a wife or husband under age sixty-five entitled to a wife's or husband's insurance benefit, did not have in his or her care (individually or jointly with his or her spouse) a child of such spouse entitled to a child's insurance benefit and such wife's or husband's insurance benefit for such month was not reduced under the provisions of section 202(q);

"(3) in which such individual, if a widow or widower entitled to a mother's or father's insurance benefit, did not have in his or her

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care a child of his or her deceased spouse entitled to a child's insurance benefit; or

"(4) in which such an individual, if a surviving divorced mother or father entitled to a mother's or father's insurance benefit, did not have in his or her care a child of his or her deceased former spouse who (A) is his or her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased former spouse.

For purposes of paragraphs (2), (3), and (4) of this subsection, a child shall not be considered to be entitled to a child's insurance benefit for any month in which paragraph (1) of section 202(a) applies or an event specified in section 222(b) occurs with respect to such child. Subject to paragraph (3) of such section 202(a), no deduction shall be made under this subsection from any child's insurance benefit for the month in which the child entitled to such benefit attained the age of eighteen or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower or surviving divorced husband is entitled and has not attained age 65 (but only if he became so entitled prior to attaining age 60).

(b) Section 203(d) of such Act is amended by inserting "divorced husband," after "husband," in paragraph (1)(A) (as amended by section 132(b)(2) of this Act) and by inserting "or father's" after "mother's" each place it appears in paragraph (2).

(1)(1) Section 205(b) of such Act (as amended by section 311(d)(1) of this Act) is further amended by inserting "surviving divorced father," after "surviving divorced mother."

(2) Section 205(c)(1)(C) of such Act (as amended by section 311(d)(2) of this Act) is further amended by inserting "surviving divorced father," after "surviving divorced mother."

(3) Section 216(f)(3)(A) of such Act is amended by inserting "(c)," before "(f)".

(k) Section 216(g)(6)(A) of such Act is amended by inserting "(c)," before "(f)".

(l) Section 222(b)(1) of such Act is amended by striking out "or surviving divorced wife" and inserting in lieu thereof "surviving divorced wife, or surviving divorced husband".

(m) Section 222(b)(2) of such Act is amended by inserting "or father's" after "mother's" wherever it appears.

(n) Section 222(b)(3) of such Act is amended by inserting "divorced husband," after "husband".

(o) Section 223(d)(2) of such Act is amended by striking out "or widower" in subparagraphs (A) and (B) and inserting in lieu thereof "widower, or surviving divorced husband".

(p) Section 225(a) of such Act is amended by inserting "or surviving divorced husband" after "widower".

(q)(1) Section 226(e)(3) of such Act is amended to read as follows:

"(3) For purposes of determining entitlement to hospital insurance benefits under subsection (b), any disabled widow aged 50 or older who is entitled to mother's insurance benefits (and who would have been entitled to widow's insurance benefits by reason of disability if she had filed for such widow's benefits), and any disabled widower aged 50 or older who is entitled to father's insurance benefits (and who would have been entitled to widower's insurance bene-

fits by reason of disability if he had filed for such widower's benefits), shall, upon application for such hospital insurance benefits be deemed to have filed for such widow's or widower's insurance benefits."

(2) For purposes of determining entitlement to hospital insurance benefits under section 226(e)(3) of such Act, as amended by paragraph (1), an individual becoming entitled to such hospital insurance benefits as a result of the amendment made by such paragraph shall, upon furnishing proof of his or her disability within twelve months after the month in which this Act is enacted, under such procedures as the Secretary of Health and Human Services may prescribe, be deemed to have been entitled to the widow's or widower's benefits referred to in such section 226(e)(3), as so amended, as of the time such individual would have been entitled to such widow's or widower's benefits if he or she had filed a timely application therefor.

EFFECTIVE DATE OF PART B

SEC. 320. (a) Except as otherwise specifically provided in this title, the amendments made by this part apply only with respect to monthly benefits payable under title II of the Social Security Act for months after the month in which this Act is enacted.

(b) Nothing in any amendment made by this part shall be construed as affecting the validity of any benefit which was paid, prior to the effective date of such amendment, as a result of a judicial determination.

PART C—COVERAGE

COVERAGE OF EMPLOYEES OF FOREIGN AFFILIATES OF AMERICAN EMPLOYERS

SEC. 321. (a)(1) So much of subsection (1) of section 3121 of the Internal Revenue Code of 1954 (relating to agreements entered into by domestic corporations with respect to foreign subsidiaries) as precedes the second sentence of paragraph (1) thereof is amended to read as follows:

"(1) AGREEMENTS ENTERED INTO BY AMERICAN EMPLOYERS WITH RESPECT TO FOREIGN AFFILIATES.—

"(1) AGREEMENT WITH RESPECT TO CERTAIN EMPLOYEES OF FOREIGN AFFILIATE.—The Secretary shall, at the American employer's request, enter into an agreement (in such manner and form as may be prescribed by the Secretary) with any American employer (as defined in subsection (h)) who desires to have the insurance system established by title II of the Social Security Act extended to service performed outside the United States in the employ of any 1 or more of such employer's foreign affiliates (as defined in paragraph (8)) by all employees who are citizens or residents of the United States, except that the agreement shall not apply to any service performed by, or remuneration paid to, an employee if such service or remuneration would be excluded from the term 'employment' or 'wages,' as defined in this section, had the service been performed in the United States."

(2) Paragraph (6) of section 3121(l) of such Code (defining foreign subsidiary) is amended to read as follows:

"(8) FOREIGN AFFILIATE DEFINED.—For purposes of this subsection and section 210(a) of the Social Security Act—

"(A) IN GENERAL.—A foreign affiliate of an American employer is any foreign entity in which such American employer has not less than a 10-percent interest.

"(B) DETERMINATION OF 10-PERCENT INTEREST.—For purposes of subparagraph (A), an American employer has a 10-percent interest in any entity if such employer has such an interest directly (or through one or more entities)—

"(i) in the case of a corporation, in the voting stock thereof, and

"(ii) in the case of any other entity, in the profits thereof."

(b) The clause (B) of section 210(a) of the Social Security Act (defining employment) which precedes paragraph (1) thereof (as amended by section 323(a)(2) of this Act) is further amended to read as follows: "(B) outside the United States by a citizen or resident of the United States as an employee (i) of an American employer (as defined in subsection (e) of this section), or (ii) of a foreign affiliate (as defined in section 3121(l)(8) of the Internal Revenue Code of 1954) of an American employer during any period for which there is in effect an agreement, entered into pursuant to section 3121(l) of such Code, with respect to such affiliate."

(c) Subsection (a) of section 406 of the Internal Revenue Code of 1954 (relating to treatment of certain employees of foreign subsidiaries for pension, etc., purposes) is amended to read as follows:

"(a) TREATMENT AS EMPLOYEES OF AMERICAN EMPLOYER.—For purposes of applying this part with respect to a pension, profit-sharing, or stock bonus plan described in section 401(a), an annuity plan described in section 403(a), or a bond purchase plan described in section 405(a), of an American employer (as defined in section 3121(h)), an individual who is a citizen or resident of the United States and who is an employee of a foreign affiliate (as defined in section 3121(l)(8)) of such American employer shall be treated as an employee of such American employer, if—

"(1) such American employer has entered into an agreement under section 3121(l) which applies to the foreign affiliate of which such individual is an employee;

"(2) the plan of such American employer expressly provides for contributions or benefits for individuals who are citizens or residents of the United States and who are employees of its foreign affiliates to which an agreement entered into by such American employer under section 3121(l) applies; and

"(3) contributions under a funded plan of deferred compensation (whether or not a plan described in section 401(a), 403(a), or 405(a)) are not provided by any other person with respect to the remuneration paid to such individual by the foreign affiliate."

(d) Paragraph (1) of section 407(a) of such Code (relating to certain employees of domestic subsidiaries engaged in business outside the United States) is amended—

(1) by striking out "citizen of the United States" and inserting in lieu thereof "citizen or resident of the United States", and

(2) by striking out "citizens of the United States" and inserting in lieu thereof "citizens or residents of the United States".

(e)(1) Those provisions of subsection (1) of section 3121 of such Code which are not amended by subsection (a) of this section are amended in accordance with the following table:

Strike out (wherever it appears in the text or heading):	And insert:
domestic corporation.....	American employer
domestic corporations.....	American employers
subsidiary	affiliate
subsidiaries.....	affiliates
foreign corporation.....	foreign entity
foreign corporations.....	foreign entities
citizens	citizens or residents
the word "a" where it appears before "domestic".	an

(2)(A) Section 406 of such Code (other than subsection (a) thereof) is amended in accordance with the following table:

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Strike out (wherever appearing in the text): domestic corporation..... subsidiary..... the word "a" where it appears before "domestic".

And insert: American employer affiliate an

(B) Paragraph (3) of subsection (c) of such section 406 (as in effect before the amendment made by subparagraph (A)) is amended by striking out "another corporation controlled by such domestic corporation" and inserting in lieu thereof "another entity in which such American employer has not less than a 10-percent interest (within the meaning of section 3121(d)(8)(B))".

(C)(i) So much of subsection (d) of such section 406 as precedes paragraph (1) thereof is amended by striking out "another corporation" and inserting in lieu thereof "another taxpayer".

(ii) Paragraph (1) of subsection (d) of such section 406 is amended by striking out "any other corporation" and inserting in lieu thereof "any other taxpayer".

(D)(i) The heading of such section 406 is amended to read as follows:

"SEC. 406. EMPLOYEES OF FOREIGN AFFILIATES COVERED BY SECTION 3121(D) AGREEMENTS."

(ii) The table of sections for subpart A of part I of subchapter D of chapter 1 of such Code is amended by striking out the item relating to section 406 and inserting in lieu thereof the following:

"Sec. 406. Employees of foreign affiliates covered by section 3121(d) agreements."

(3) Clause (A) of the second sentence of section 1402(b) of such Code (defining self-employment income) is amended by striking out "employees of foreign subsidiaries of domestic corporations" and inserting in lieu thereof "employees of foreign affiliates of American employers".

(4)(A) Subparagraph (C) of section 6413(c)(2) of such Code (relating to special refunds of FICA taxes in the case of employees of certain foreign corporations) is amended—

(i) by striking out "FOREIGN CORPORATIONS" in the heading and inserting in lieu thereof "FOREIGN AFFILIATES"; and

(ii) by striking out "domestic corporation" in the text and inserting in lieu thereof "American employer".

(B) The heading of paragraph (2) of section 6413(c) of such Code is amended by striking out "FOREIGN CORPORATIONS" and inserting in lieu thereof "FOREIGN AFFILIATES".

(f)(1)(A) The amendments made by this section (other than subsection (d)) shall apply to agreements entered into after the date of the enactment of this Act.

(B) At the election of any American employer, the amendments made by this section (other than subsection (d)) shall also apply to any agreement entered into on or before the date of the enactment of this Act. Any such election shall be made at such time and in such manner as the Secretary may by regulations prescribe.

(2)(A) The amendments made by subsection (d) shall apply to plans established after the date of the enactment of this Act.

(B) At the election of any domestic parent corporation the amendments made by subsection (d) shall also apply to any plan established on or before the date of the enactment of this Act. Any such election shall be made at such time and in such manner as the Secretary may by regulations prescribe.

EXTENSION OF COVERAGE BY INTERNATIONAL SOCIAL SECURITY AGREEMENT

Sec. 322. (a)(1) Section 210(a) of the Social Security Act is amended, in the matter preceding paragraph (1)—

(A) by striking out "either" before "(A)", and

(B) by inserting before "except" the following: ", or (C) if it is service, regardless of where or by whom performed, which is designated as employment or recognized as equivalent to employment under an agreement entered into under section 233".

(2) Section 3121(b) of the Internal Revenue Code of 1954 is amended, in the matter preceding paragraph (1)—

(A) by striking out "either" before "(A)", and

(B) by inserting before "except" the following: ", or (C) if it is service, regardless of where or by whom performed, which is designated as employment or recognized as equivalent to employment under an agreement entered into under section 233 of the Social Security Act".

(b)(1) Section 211(b) of the Social Security Act is amended by inserting after "nonresident alien individual" the following: ", except as provided by an agreement under section 233".

(2) The first sentence of section 1402(b) of the Internal Revenue Code of 1954 is amended by inserting after "nonresident alien individual" the following: ", except as provided by an agreement under section 233 of the Social Security Act".

(c) The amendments made by this section shall be effective for taxable years beginning on or after the date of the enactment of this Act.

TREATMENT OF CERTAIN SERVICE PERFORMED OUTSIDE THE UNITED STATES

Sec. 323. (a)(1) Subsection (b) of section 3121 of the Internal Revenue Code of 1954 (defining employment) is amended by striking out "a citizen of the United States" in the matter preceding paragraph (1) thereof and inserting in lieu thereof "a citizen or resident of the United States".

(2) Subsection (a) of section 210 of the Social Security Act is amended by striking out "a citizen of the United States" in the matter preceding paragraph (1) thereof and inserting in lieu thereof "a citizen or resident of the United States".

(b)(1) Paragraph (11) of section 1402(a) of the Internal Revenue Code of 1954 (defining net earnings from self-employment) is amended by striking out "in the case of an individual described in section 311(d)(1)(B)".

(2)(A) Paragraph (10) of section 211(a) of the Social Security Act is amended to read as follows:

"(10) the exclusion from gross income provided by section 911(a)(1) of the Internal Revenue Code of 1954 shall not apply; and".

(B) Effective with respect to taxable years beginning after December 31, 1981, and before January 1, 1984, paragraph (10) of section 211(a) of such Act is amended to read as follows:

"(10) in the case of an individual described in section 911(d)(1)(B) of the Internal Revenue Code of 1954, the exclusion from gross income provided by section 911(a)(1) of such Code shall not apply; and".

(c)(1) The amendments made by subsection (a) shall apply to remuneration paid after December 31, 1983.

(2) Except as provided in subsection (b)(2)(B), the amendments made by subsection (b) shall apply to taxable years beginning after December 31, 1983.

TREATMENT OF PAY AFTER AGE 62 AS WAGES

Sec. 324. (a) Section 209 of the Social Security Act is amended by striking out subsection (1).

(b) Section 3121(s) of the Internal Revenue Code of 1954 is amended by striking out paragraph (9).

(c) The amendments made by this section shall apply with respect to calendar years

beginning more than six months after the date of the enactment of this Act.

TREATMENT OF CONTRIBUTIONS UNDER SIMPLIFIED EMPLOYEE PENSIONS

Sec. 325. (a) Subparagraph (D) of section 3121(a)(5) of the Internal Revenue Code of 1954 (defining wages) is amended by striking out "section 219" and inserting in lieu thereof "section 219(b)(2)".

(b) Subsection (c) of section 209 of the Social Security Act is amended by striking out the semicolon at the end thereof and inserting in lieu thereof the following: ", or (5) under a simplified employee pension (as defined in section 408(k) of the Internal Revenue Code of 1954) if, at the time of the payment, it is reasonable to believe that the employee will be entitled to a deduction under section 219(b)(2) of such Code for such payment".

(c) The amendments made by this section shall apply to remuneration paid after December 31, 1983.

EFFECT OF CHANGES IN NAMES OF STATE AND LOCAL EMPLOYER GROUPS IN UTAH

Sec. 326. (a) Section 210(a) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Coverage provided for in this subsection shall not be affected by a subsequent change in the name of a group."

(b) The amendment made by subsection (a) shall apply with respect to name changes made before, on, or after the date of the enactment of this section.

EFFECTIVE DATES OF INTERNATIONAL SOCIAL SECURITY AGREEMENTS

Sec. 327. (a) Section 233(e)(2) of the Social Security Act is amended by striking out "during which each House of the Congress has been in session on each of 90 days" and inserting in lieu thereof "during which at least one House of the Congress has been in session on each of 60 days".

(b) The amendment made by subsection (a) shall be effective on the date of the enactment of this Act.

TECHNICAL CORRECTION WITH RESPECT TO WITHHOLDING ON SICK PAY OF PARTICIPANTS IN MULTIPLE EMPLOYER PLANS

Sec. 328. (a) Paragraph (2) of section 3(d) of the Act entitled "An Act to amend the Omnibus Reconciliation Act of 1981 to restore minimum benefits under the Social Security Act", approved December 29, 1981 (Public Law 97-123), relating to extension of coverage to first 6 months of sick pay, is amended by striking out "and" at the end of subparagraph (B), by striking out the period at the end of subparagraph (C) and inserting in lieu thereof ", and", and by adding at the end thereof the following new subparagraph:

"(D) in the case of a multiple employer plan, to the extent provided in regulations prescribed under paragraph (1), such plan shall be treated as the agent of the employers for whom services are normally rendered."

(b) The amendment made by subsection (a) shall apply to remuneration paid after June 30, 1983.

AMOUNTS RECEIVED UNDER CERTAIN DEFERRED COMPENSATION AND SALARY REDUCTION ARRANGEMENTS TREATED AS WAGES FOR FICA TAXES

Sec. 329. (a) Section 3121 of the Internal Revenue Code of 1954 (relating to definitions) is amended by adding at the end thereof the following new subsection:

"(v) TREATMENT OF CERTAIN DEFERRED COMPENSATION AND SALARY REDUCTION ARRANGEMENTS.—Nothing in any paragraph of subsection (a) (other than paragraph (1))

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shall exclude from the term 'wages' any employer contribution—

"(1) under a qualified cash or deferred arrangement (as defined in section 401(k)) to the extent not included in gross income by reason of section 402(a)(8),

"(2) under a cafeteria plan (as defined in section 125(d)) to the extent the employee had the right to choose cash, property, or other benefits which would be wages for purposes of this chapter, or

"(3) for an annuity contract described in section 403(b)."

(b) Section 209 of the Social Security Act is amended by adding at the end thereof (after the new paragraph added by section 101(c)(1) of the this Act) the following new paragraph:

"Nothing in any of the foregoing provisions of this section (other than subsection (a)) shall exclude from the term 'wages' and employer contribution—

"(1) under a qualified cash or deferred arrangement (as defined in section 401(k)) of the Internal Revenue Code of 1954 to the extent not included in gross income by reason of section 402(a)(8) of such Code,

"(2) under a cafeteria plan (as defined in section 125(d) of such Code) to the extent the employee had the right to choose cash, property, or other benefits which would be wages for purposes of this title, or

"(3) for an annuity contract described in section 403(b) of such Code."

(c) The amendments made by this section shall apply to remuneration paid after December 31, 1983.

CODIFICATION OF ROWAN DECISION WITH RESPECT TO MEALS AND LODGING

Sec. 330. (a)(1) Subsection (a) of section 3121 of the Internal Revenue Code of 1954 (defining wages) is amended by striking out "or" at the end of paragraph (17), by striking out the period at the end of paragraph (18) and inserting in lieu thereof "; or", and by inserting after paragraph (18) the following new paragraph:

"(19) the value of any meals or lodging furnished by or on behalf of the employer if at the time of such furnishing it is reasonable to believe that the employee will be able to exclude such items from income under section 119."

(2) Section 209 of the Social Security Act is amended by striking out "or" at the end of subsection (p), by striking out the period at the end of subsection (q) and inserting in lieu thereof "; or", and by inserting after subsection (q) the following new subsection:

"(r) The value of any meals or lodging furnished by or on behalf of the employer if at the time of such furnishing it is reasonable to believe that the employee will be able to exclude such items from income under section 119 of the Internal Revenue Code of 1954."

(b)(1) Subsection (a) of section 3121 of such Code is amended by inserting after paragraph (19) (as added by subsection (a) of this section) the following new sentence: "Nothing in the regulations prescribed for purposes of chapter 24 (relating to income tax withholding) which provides an exclusion from 'wages' as used in such chapter shall be construed to require a similar exclusion from 'wages' in the regulations prescribed for purposes of this chapter."

(2) Section 209 of the Social Security Act is amended by inserting immediately after subsection (r) (as added by subsection (a) of this section) the following new sentence:

"Nothing in the regulations prescribed for purposes of chapter 24 of the Internal Revenue Code of 1954 (relating to income tax withholding) which provides an exclusion from 'wages' as used in such chapter shall be construed to require a similar exclusion

from 'wages' in the regulations prescribed for purposes of this title."

(c) The amendments made by subsections (a) and (b) shall apply to remuneration paid after December 31, 1983.

PART D—OTHER AMENDMENTS

TECHNICAL AND CONFORMING AMENDMENTS TO MAXIMUM FAMILY BENEFIT PROVISIONS

Sec. 331. (a)(1) Section 203(a)(3)(A) of the Social Security Act is amended by striking out clause (ii) and inserting in lieu thereof the following:

"(ii) an amount (I) initially equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1), for January of the year determined for purposes of this clause under the following two sentences, with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined for that year under section 230, and (II) thereafter increased in accordance with the provisions of section 215(1)(2)(A)(ii).

The year established for purposes of clause (ii) shall be 1983 or, if it occurs later with respect to any individual, the year in which occurred the month that the application of the reduction provisions contained in this subparagraph began with respect to benefits payable on the basis of the wages and self-employment income of the insured individual. If for any month subsequent to the first month for which clause (ii) applies (with respect to benefits payable on the basis of the wages and self-employment income of the insured individual) the reduction under this subparagraph ceases to apply, then the year determined under the preceding sentence shall be redetermined (for purposes of any subsequent application of this subparagraph with respect to benefits payable on the basis of such wages and self-employment income) as though this subparagraph had not been previously applicable."

(2) Section 203(a)(7) of such Act is amended by striking out everything that follows "shall be reduced to an amount equal to" and inserting in lieu thereof "the amount determined in accordance with the provisions of paragraph (3)(A)(ii) of this subsection, except that for this purpose the references to subparagraph (A) in the last two sentences of paragraph (3)(A) shall be deemed to be references to paragraph (7)."

(b) Clause (1) in the last sentence of section 203(b)(1) of such Act (as amended by section 132(b) of this Act) is further amended by striking out "penultimate sentence" and inserting in lieu thereof "first sentence of paragraph (4)".

(c) The amendments made by subsection (a) shall be effective with respect to payments made for months after December 1983.

REDUCTION FROM 72 TO 70 OF AGE BEYOND WHICH NO DELAYED RETIREMENT CREDITS CAN BE EARNED

Sec. 332. (a) Section 202(w) of the Social Security Act is amended—

(1) in paragraph (2)(A), by striking out "age 72" and inserting in lieu thereof "age 70"; and

(2) in paragraph (3), by striking out "age 72 after 1972" and inserting in lieu thereof "age 70".

(b) The amendments made by subsection (a) shall apply with respect to individuals who attain age 70 after December 1983. For individuals who attain age 70 before January 1984, section 202(w) as in effect immediately before the enactment of the amendments made by this section shall apply, except that no increment months as determined under such section attributable to months after December 1983 shall accrue.

RELAXATION OF INSURED STATUS REQUIREMENTS FOR CERTAIN WORKERS PREVIOUSLY ENTITLED TO A PERIOD OF DISABILITY

Sec. 333. (a) Section 216(i)(3) of the Social Security Act is amended—

(1) by striking out the semicolon at the end of clause (ii) of subparagraph (B) and inserting in lieu thereof "; or"; and

(2) by inserting after clause (ii) of such subparagraph the following new clause:

"(iii) in the case of an individual (not otherwise insured under clause (i)) who, by reason of clause (ii), had a prior period of disability that began during a period before the quarter in which he or she attained age 31, not less than one-half of the quarters beginning after such individual attained age 21 and ending with such quarter are quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter are quarters of coverage;"

(b) Section 223(c)(1)(B) of such Act is amended—

(1) by striking out the semicolon at the end of clause (ii) and inserting in lieu thereof "; or"; and

(2) by inserting after clause (ii) the following new clause:

"(iii) in the case of an individual (not otherwise insured under clause (i)) who, by reason of section 216(i)(3)(B)(ii), had a prior period of disability that began during a period before the quarter in which he or she attained age 31, not less than one-half of the quarters beginning after such individual attained age 21 and ending with the quarter in which such month occurs are quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter are quarters of coverage;"

(c) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, and for disability determinations under section 216(i) of such Act, filed after the date of the enactment of this Act, except that no monthly benefits under title II of the Social Security Act shall be payable or increased by reason of the amendments made by this section for months before the month following the month of enactment of this Act.

PROTECTION OF BENEFITS OF ILLEGITIMATE CHILDREN OF DISABLED BENEFICIARIES

Sec. 334. (a) The last sentence of section 216(h)(3) of the Social Security Act is amended by striking out "subparagraph (A)(i)" and inserting in lieu thereof "subparagraphs (A)(i) and (B)(i)".

(b) The amendment made by subsection (a) shall be effective on the date of the enactment of this Act.

ONE-MONTH RETROACTIVITY OF WIDOW'S AND WIDOWER'S INSURANCE BENEFITS

Sec. 335. (a) Section 202(j)(4)(B) of the Social Security Act is amended—

(1) by redesignating clauses (iii) and (iv) as clauses (iv) and (v), respectively; and

(2) by adding after clause (ii) the following new clause:

"(iii) Subparagraph (A) does not apply to a benefit under subsection (e) or (f) for the month immediately preceding the month of application, if the insured individual died in that preceding month."

(b) The amendments made by subsection (a) shall apply with respect to survivors whose applications for monthly benefits are filed after the second month following the month in which this Act is enacted.

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NONASSIGNABILITY OF BENEFITS

SEC. 336. (a) Section 207 of the Social Security Act is amended—

(1) by inserting "(a)" before "The right"; and

(2) by adding at the end thereof the following new subsection:

"(b) No other provision of law, enacted before, on, or after the date of the enactment of this section, may be construed to limit, supersede, or otherwise modify the provisions of this section except to the extent that it does so by express reference to this section."

(b) Section 459(a) of such Act is amended by inserting "(including section 207)" after "any other provision of law".

(c) The amendments made by subsection (a) shall apply only with respect to benefits payable or rights existing under the Social Security Act on or after the date of the enactment of this Act.

USE OF DEATH CERTIFICATES TO PREVENT REDUNDANT BENEFIT PAYMENTS TO DECEASED INDIVIDUALS

SEC. 337. Section 205 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Use of Death Certificates to Correct Program Information"

"(r)(1) The Secretary is authorized to establish a program under which—

"(A) States (or political subdivisions thereof) voluntarily contract with the Secretary to furnish the Secretary periodically with information (in a form established by the Secretary in consultation with the States) concerning individuals with respect to whom death certificates (or equivalent documents maintained by the States or subdivisions) have been officially filed with them;

"(B) the Secretary compares such information on such individuals with information on such individuals in the records being used in the administration of this Act; and

"(C) the Secretary makes any appropriate corrections in such records to accurately reflect the status of such individuals.

"(2) Each State (or political subdivision thereof) which furnishes the Secretary with information on records of deaths in the State or subdivision under this subsection shall be paid by the Secretary from amounts available for administration of this Act the reasonable costs (established by the Secretary) for transcribing and transmitting such information to the Secretary.

"(3) In the case of individuals with respect to whom benefits are provided by (or through) a Federal or State agency other than under this Act, the Secretary may provide, through a cooperative arrangement with such agency, for carrying out the duties described in paragraph (1)(B) with respect to such individuals if—

"(A) under such arrangement the agency provides reimbursement to the Secretary for the reasonable cost of carrying out such arrangement; and

"(B) such arrangement does not conflict with the duties of the Secretary under paragraph (1).

"(4) Information furnished to the Secretary under this subsection may not be used for any purpose other than the purposes described in this subsection and is exempt from disclosure under section 552 of title 5, United States Code, and from the requirements of section 552a of such title."

PUBLIC PENSION OFFSET

SEC. 338. (a) Subsections (h)(4)(A), (c)(2)(A), (f)(2)(A), and (g)(4)(A) of section 203 of the Social Security Act, and paragraph (7)(A) of section 204(a) of such Act (as redesignated by section 131(a)(3)(A) of this Act), are each amended—

(1) by striking out "by an amount equal to the amount of any monthly periodic benefit" and inserting in lieu thereof "by an amount equal to one-third of the amount of any monthly periodic benefit"; and

(2) by adding at the end thereof the following new sentence: "The amount of the reduction in any benefit under this subparagraph, if not a multiple of \$0.10, shall be rounded to the next higher multiple of \$0.10."

(b) The amendments made by subsection (a) of this section shall apply only with respect to monthly insurance benefits payable under title II of the Social Security Act to individuals who initially become eligible (as defined in section 334 of Public Law 95-216) for monthly periodic benefits (within the meaning of the provisions amended by subsection (a)) for months after June 1983.

STUDY CONCERNING THE ESTABLISHMENT OF THE SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY

SEC. 339. (a) There is hereby established, under the authority of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, a joint study panel to be known as the Joint Study Panel on the Social Security Administration (hereafter in this section referred to as the "Panel"). The duties of the Panel shall be to conduct the study provided for in subsection (c).

(b)(1) The Panel shall be composed of 3 members, appointed jointly by the chairmen of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate and such chairmen shall jointly select one member of the Panel to serve as chairman of the Panel. Members of the Panel shall be chosen, on the basis of their integrity, impartiality, and good judgment, from individuals who, as a result of their training, experience, and attainments, are widely recognized by professionals in the field of government administration as experts in that field.

(2) Vacancies in the membership of the Panel shall not affect the power of the remaining members to perform the duties of the Panel and shall be filled in the same manner in which the original appointment was made.

(3) Each member of the Panel not otherwise in the employ of the United States Government shall receive the daily equivalent of the annual rate of basic pay payable for level V of the Executive Schedule under section 5316 of title 5, United States Code, for each day during which such member is actually engaged in the performance of the duties of the Panel. Each member of the Panel shall be allowed travel expenses in the same manner as any individual employed intermittently by the Federal Government is allowed travel expenses under section 5703 of title 5, United States Code.

(4) By agreement between the chairmen of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, such Committees shall provide the Panel, on a reimbursable basis, office space, clerical personnel, and such supplies and equipment as may be necessary for the Panel to carry out its duties under this section. Subject to such limitations as the chairmen of such Committees may jointly prescribe, the Panel may appoint such additional personnel as the Panel considers necessary and fix the compensation of such personnel as it considers appropriate at an annual rate which does not exceed the rate of basic pay then payable for GS-18 of the General Schedule under section 5332 of title 5, United States Code, and may procure by contract the temporary or intermittent services of clerical

personnel and experts or consultants, or organizations thereof.

(5) There are hereby appropriated to the Panel from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund, such sums as the chairmen of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate shall jointly certify to the Secretary of the Treasury as necessary to carry out the Panel's duties under this section. The Secretary of the Treasury shall allocate among such Trust Funds the total amount to be transferred from such Trust Funds under this paragraph so that the amount of such sums which is transferred from each such Trust Fund under this paragraph shall bear the same ratio to the total amount transferred from all such Trust Funds under this paragraph as the amount expended from such Trust Fund during the fiscal year ending September 30, 1982, bears to the total amount expended from all such Trust Funds during such fiscal year.

(c)(1) The Panel shall undertake, as soon as possible after the date of the enactment of this Act, a thorough study with respect to the feasibility and implementation of removing the Social Security Administration from the Department of Health and Human Services and establishing it as an independent agency in the executive branch with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate.

(2) The Panel in its study under paragraph (1) shall address, analyze, and report specifically on the following matters:

(A) the effect of the organizational status of the Social Security Administration on beneficiaries under the Social Security Act and the general public;

(B) the legal and other relationships of the Social Security Administration with other organizations, within and outside the Federal Government, and the changes in such relationships which would be required as a result of establishing the Social Security Administration as an independent agency;

(C) any changes which may be necessary or appropriate, in the course of establishing the Social Security Administration as an independent agency, in the constitution of the Boards of Trustees of the four social security trust funds; and

(D) such other matters as the Panel may consider relevant to the study.

(d) The Panel shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, not later than April 1, 1984, a report of the findings of the study conducted under subsection (c), together with any recommendations the Panel considers appropriate. The Panel and all authority granted in this section shall expire thirty days after the date of the filing of its report under this section.

CONFORMING CHANGES IN MEDICARE PREMIUM PROVISIONS TO REFLECT CHANGES IN COST-OF-LIVING BENEFIT ADJUSTMENTS

SEC. 340. (a) Section 1818(d)(2) of the Social Security Act is amended—

(1) by striking out "during the last calendar quarter of each year, beginning in 1973," in the first sentence and inserting in lieu thereof "during the next to last calendar quarter of each year";

(2) by striking out "the 12-month period commencing July 1 of the next year" in the first sentence and inserting in lieu thereof "the following calendar year"; and

(3) by striking out "for such next year" in the second sentence and inserting in lieu thereof "for that following calendar year".

(b)(1) Section 1839(c) of such Act is amended—

(A) by striking out "December of 1972 and of each year thereafter" in paragraphs (1), (3), and (4) and inserting in lieu thereof "September of each year";

(B) by striking out "for the 12-month period commencing July 1 in the succeeding year" in paragraphs (1), (3), and (4) and inserting in lieu thereof "for months in the following calendar year";

(C) by striking out "such 12-month period" each place it appears in paragraphs (1) and (4) and inserting in lieu thereof "such calendar year";

(D) by striking out "that 12-month period" in paragraph (3)(A) and inserting in lieu thereof "that calendar year";

(E) by striking out "May 1 of the year" in paragraph (3)(B) and inserting in lieu thereof "November 1 of the year before the year"; and

(F) by striking out "following May" in paragraph (3)(B) and inserting in lieu thereof "following November".

(2) Section 1839(g) of such Act is amended—

(A) by striking out "June 1983" in paragraph (1) and inserting in lieu thereof "December 1983", and

(B) by striking out "July 1985" and inserting in lieu thereof "January 1986" each place it appears.

(d) The amendments made by this section shall apply to premiums for months beginning with January 1984, and for months after June 1983 and before January 1984—

(1) the monthly premiums under part A and under part B of title XVIII of the Social Security Act for individuals enrolled under each respective part shall be the monthly premium under that part for the month of June 1983, and

(2) the amount of the Government contributions under section 1844(a)(1) of such Act shall be computed on the basis of the actuarially adequate rate which would have been in effect under part B of title XVIII of such Act for such months without regard to the amendments made by this section, but using the amount of the premium in effect for the month of June 1983.

TITLE IV—SUPPLEMENTAL SECURITY INCOME BENEFITS

INCREASE IN FEDERAL SSI BENEFIT STANDARD

Sec. 401. (a) Section 1617 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(c) Effective July 1, 1983—

"(1) each of the dollar amounts in effect under subsections (a)(1)(A) and (b)(1) of section 1611, as previously increased under this section, shall be increased by \$20 (and the dollar amount in effect under subsection (a)(1)(A) of Public Law 93-66, as previously so increased, shall be increased by \$10); and

"(2) each of the dollar amounts in effect under subsections (a)(2)(A) and (b)(2) of section 1611, as previously increased under this section, shall be increased by \$30."

(b) Section 1617(b) of such Act is amended by striking out "this section" and inserting in lieu thereof "subsection (a) of this section".

ADJUSTMENTS IN FEDERAL SSI PASS-THROUGH PROVISIONS

Sec. 402. Section 1618 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(d)(1) For any particular month after March 1983, a State which is not treated as meeting the requirements imposed by paragraph (4) of subsection (a) by reason of subsection (b) shall be treated as meeting such requirements if and only if—

"(A) the combined level of its supplementary payments (to recipients of the type involved) and the amounts payable (to or on behalf of such recipients) under section 1611(b) of this Act and section 211(a)(1)(A) of Public Law 93-66, for that particular month,

is not less than—

"(B) the combined level of its supplementary payments (to recipients of the type involved) and the amounts payable (to or on behalf of such recipients) under section 1611(b) of this Act and section 211(a)(1)(A) of Public Law 93-66, for March 1983, increased by the amount of all cost-of-living adjustments under section 1617 (and any other benefit increases under this title) which have occurred after March 1983 and before that particular month.

"(2) In determining the amount of any increase in the combined level involved under paragraph (1)(B) of this subsection, any portion of such amount which would otherwise be attributable to the increase under section 1617(c) shall be deemed instead to be equal to the amount of the cost-of-living adjustment which would have occurred in July 1983 (without regard to the 3-percent limitation contained in section 215(i)(1)(B)) if section 111 of the Social Security Act Amendments of 1983 had not been enacted."

SSI ELIGIBILITY FOR TEMPORARY RESIDENTS OF EMERGENCY SHELTERS FOR THE HOMELESS

Sec. 403. (a) Section 1611(e)(1) of the Social Security Act is amended—

(1) by striking out "subparagraph (B) and (C)" in subparagraph (A) and inserting in lieu thereof "subparagraphs (B), (C), and (D)"; and

(2) by adding at the end thereof the following new subparagraph:

"(D) A person may be an eligible individual or eligible spouse for purposes of this title with respect to any month throughout which he is a resident of a public emergency shelter for the homeless (as defined in regulations which shall be prescribed by the Secretary); except that no person shall be an eligible individual or eligible spouse by reason of this subparagraph more than three months in any 12-month period."

(b) The amendments made by subsection (a) shall be effective with respect to months after the month in which this Act is enacted.

DISREGARDING OF EMERGENCY AND OTHER INKIND ASSISTANCE PROVIDED BY NONPROFIT ORGANIZATIONS

Sec. 404. (a) Section 1612(b)(13) of the Social Security Act is amended by striking out "any assistance received" and all that follows down through "(B)" and inserting in lieu thereof the following: "any support or maintenance assistance furnished to or on behalf of such individual (and spouse if any) which (as determined under regulations of the Secretary by such State agency as the chief executive officer of the State may designate) is based on need for such support or maintenance, including assistance received to assist in meeting the costs of home energy (including both heating and cooling), and which".

(b) Section 402(a)(36) of such Act is amended by striking out "shall not include as income" and all that follows down through "(B)" and inserting in lieu thereof the following: "shall not include as income any support or maintenance assistance fur-

nished to or on behalf of the family which (as determined under regulations of the Secretary by such State agency as the chief executive officer of the State may designate) is based on need for such support and maintenance, including assistance received to assist in meeting the costs of home energy (including both heating and cooling), and which".

(c) The amendments made by this section shall be effective with respect to months which begin after the month in which this Act is enacted and end before October 1, 1984.

TITLE V—UNEMPLOYMENT COMPENSATION PROVISIONS PART A—FEDERAL SUPPLEMENTAL COMPENSATION

SEC. 501. EXTENSION OF PROGRAM.

Paragraph (2) of section 602(f) of the Federal Supplemental Compensation Act of 1982 is amended by striking out "March 31, 1983" and inserting in lieu thereof "September 30, 1983".

SEC. 502. NUMBER OF WEEKS FOR WHICH COMPENSATION PAYABLE.

(a) GENERAL RULE.—Subsection (e) of section 602 of the Federal Supplemental Compensation Act of 1982 is amended by redesignating paragraph (3) as paragraph (4) and by striking out paragraph (2) and inserting in lieu thereof the following new paragraphs:

"(2)(A) In the case of any account from which Federal supplemental compensation was first payable to an individual for a week beginning after March 31, 1983, the amount established in such account shall be equal to the lesser of—

"(i) 65 percent of the total amount of regular compensation (including dependents' allowances) payable to the individual with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation, or

"(ii) the applicable limit determined under the following table times his average weekly benefit amount for his benefit year.

"In the case of weeks during a:

6-percent period	14
5-percent period	13
4.5-percent period	11
3.5-percent period	10
Low-unemployment period	8

"(B) In the case of any account from which Federal supplemental compensation was payable to an individual for a week beginning before April 1, 1983, the amount established in such account shall be equal to the lesser of the subparagraph (A) entitlement or the sum of—

"(i) the subparagraph (A) entitlement reduced (but not below zero) by the aggregate amount of Federal supplemental compensation paid to such individual for weeks beginning before April 1, 1983, plus

"(ii) such individual's additional entitlement.

"(C) For purposes of subparagraph (B) and this subparagraph—

"(i) The term 'subparagraph (A) entitlement' means the amount which would have been established in the account if subparagraph (A) had applied to such account.

"(ii) The term 'additional entitlement' means the lesser of—

"(I) three-fourths of the subparagraph (A) entitlement, or

"(II) the applicable limit determined under the following table times the individual's average weekly benefit amount for his benefit year.

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"In the case of weeks during a:	The applicable limit is:
6-percent period.....	10
5-percent period.....	8
4.5-percent period.....	8
3.5-percent period.....	6
Low-employment period.....	6

"(D) Except as provided in subparagraph (B)(i), for purposes of determining the amount of Federal supplemental compensation payable for weeks beginning after March 31, 1983, from an account described in subparagraph (B), no reduction in such account shall be made by reason of any Federal supplemental compensation paid to the individual for weeks beginning before April 1, 1983.

"(3)(A) For purposes of this subsection, the terms '6 percent period', '5 percent period', '4.5 percent period', '3.5 percent period' and 'low-employment period' mean, with respect to any State, the period which—

"(i) begins with the 3d week after the 1st week in which the rate of insured unemployment in the State for the period consisting of such week and the immediately preceding 12 weeks falls in the applicable range, and

"(ii) ends with the 3d week after the 1st week in which the rate of insured unemployment for the period consisting of such week and the immediately preceding 12 weeks does not fall within the applicable range.

"(B) For purposes of subparagraph (A), the applicable range is as follows:

"In the case of a:	The applicable range is:
6-percent period.....	A rate equal to or exceeding 6 percent
5-percent period.....	A rate equal to or exceeding 5 percent but less than 6 percent
4.5-percent period.....	A rate equal to or exceeding 4.5 percent but less than 5 percent
3.5 percent period.....	A rate equal to or exceeding 3.5 percent but less than 4.5 percent
Low-employment period.	A rate less than 3.5 percent

"(C) No 6-percent period, 5-percent period, 4.5-percent period, or 3.5-percent period, as the case may be, shall last for a period of less than 4 weeks unless the State enters a period with a higher percentage designation.

"(D) For purposes of this subsection—

"(i) The rate of insured unemployment for any period shall be determined in the same manner as determined for purposes of section 203 of the Federal-State Extended Unemployment Compensation Act of 1970.

"(ii) The amount of an individual's average weekly benefit amount shall be determined in the same manner as determined for purposes of section 202(b)(1)(C) of such Act."

(b) TECHNICAL AMENDMENT.—Paragraph (3) of section 602(d) of the Federal Supplemental Compensation Act of 1982 (as amended by section 544(d) of the Highway Revenue Act of 1982) is amended by striking out "subsection (e)(2)(A)(ii)" and inserting in lieu thereof "subparagraph (A)(ii) or (C)(ii)(II) of subsection (e)(2)".

SEC. 503. COORDINATION WITH TRADE READJUSTMENT PROGRAM.

Subsection (e) of section 602 of the Federal Supplemental Compensation Act of 1982 is amended by adding at the end thereof the following new paragraph:

"(5)(A) Except as provided in subparagraph (B), the maximum amount of Federal supplemental compensation payable to an individual shall not be reduced by reason of any trade readjustment allowances to which the individual was entitled under the Trade Act of 1974.

"(B) If an individual received any trade readjustment allowance under the Trade Act of 1974 in respect of any benefit year, the maximum amount of Federal supplemental compensation payable under this subtitle in respect of such benefit year shall be reduced (but not below zero) so that (to the extent possible by making such a reduction) the aggregate amount of—

"(i) regular compensation,

"(ii) extended compensation,

"(iii) trade readjustment allowances, and

"(iv) Federal supplemental compensation,

payable in respect of such benefit year does not exceed the aggregate amount which would have been so payable had the individual not been entitled to any trade readjustment allowance."

SEC. 504. EFFECTIVE DATE.

(a) GENERAL RULE.—The amendments made by this part shall apply to weeks beginning after March 31, 1983.

(b) TREATMENT OF INDIVIDUALS WHO EXHAUSTED BENEFITS.—In the case of any eligible individual—

(1) to whom any Federal supplemental compensation was payable for any week beginning before April 1, 1983, and

(2) who exhausted his rights to such compensation (by reason of the payment of all the amount in his Federal supplemental compensation account) before the first week beginning after March 31, 1983,

such individual's eligibility for additional weeks of compensation by reason of the amendments made by this part shall not be limited or terminated by reason of any event, or failure to meet any requirement of law relating to eligibility for unemployment compensation, occurring after the date of such exhaustion of rights and before April 1, 1983 (and the period after such exhaustion and before April 1, 1983, shall not be counted for purposes of determining the expiration of the two years following the end of his benefit year for purposes of section 602(b) of the Federal Supplemental Compensation Act of 1982).

(c) MODIFICATION OF AGREEMENTS.—The Secretary of Labor shall, at the earliest practicable date after the date of the enactment of this Act, propose to each State with which he has in effect an agreement under section 602 of the Federal Supplemental Compensation Act of 1982 a modification of such agreement designed to provide for the payment of Federal supplemental compensation under such Act in accordance with the amendments made by this part. Notwithstanding any other provision of law, if any State fails or refuses, within the 3-week period beginning on the date the Secretary of Labor proposed such a modification to such State, to enter into such a modification of such agreement, the Secretary of Labor shall terminate such agreement effective with the end of the last week which ends on or before such 3-week period.

PART B—MISCELLANEOUS PROVISIONS

SEC. 511. VOLUNTARY HEALTH INSURANCE PROGRAMS PERMITTED.

(a) AMENDMENT OF INTERNAL REVENUE CODE OF 1954.—Paragraph (4) of section 3304(a) of the Internal Revenue Code of 1954 (relating to requirements for approval of State unemployment compensation laws) is amended by striking out "and" at the end of subparagraph (A), by adding "and" at the end of subparagraph (B), and by adding after subparagraph (B) the following new subparagraph:

"(C) nothing in this paragraph shall be construed to prohibit deducting an amount from unemployment compensation otherwise payable to an individual and using the amount so deducted to pay for health insur-

ance if the individual elected to have such deduction made and such deduction was made under a program approved by the Secretary of Labor."

(b) AMENDMENT OF SOCIAL SECURITY ACT.—Paragraph (5) of section 303(a) of the Social Security Act is amended by striking out "and" at the end thereof and inserting in lieu thereof "Provided further, That nothing in this paragraph shall be construed to prohibit deducting an amount from unemployment compensation otherwise payable to an individual and using the amount so deducted to pay for health insurance if the individual elected to have such deduction made and such deduction was made under a program approved by the Secretary of Labor; and".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 512. TREATMENT OF CERTAIN ORGANIZATIONS RETROACTIVELY DETERMINED TO BE DESCRIBED IN SECTION 501(c)(3) OF THE INTERNAL REVENUE CODE OF 1954.

If—

(1) an organization did not make an election to make payments (in lieu of contributions) as provided in section 3309(a)(2) of the Internal Revenue Code of 1954 before April 1, 1972, because such organization, as of such date, was treated as an organization described in section 501(c)(4) of such Code,

(2) the Internal Revenue Service subsequently determined that such organization was described in section 501(c)(3) of such Code, and

(3) such organization made such an election before the earlier of—

(A) the date 18 months after such election was first available to it under the State law, or

(B) January 1, 1984,

then section 3303(f) of such Code shall be applied with respect to such organization as if it did not contain the requirement that the election be made before April 1, 1972, and by substituting "January 1, 1982" for "January 1, 1969".

TITLE VI—PROSPECTIVE PAYMENTS FOR MEDICARE INPATIENT HOSPITAL SERVICES

MEDICARE PAYMENTS FOR INPATIENT HOSPITAL SERVICES ON THE BASIS OF PROSPECTIVE RATES

Sec. 601. (a)(1) Subsection (a)(1) of section 1886 of the Social Security Act is amended by adding at the end the following new subparagraph:

"(D) Subparagraph (A) shall not apply to cost reporting periods beginning on or after October 1, 1985."

(2) Subsection (a)(4) of such section is amended by adding at the end the following new sentence: "Such term does not include capital-related costs and costs of approved educational activities, as defined by the Secretary."

(b) Subsection (b) of such section is amended—

(1) by striking out "Notwithstanding sections 1814(b), but subject to the provisions of sections" in paragraph (1) and inserting in lieu thereof "Notwithstanding section 1814(b) but subject to the provisions of section";

(2) by inserting "(other than a subsection (d) hospital, as defined in subsection (d)(1)(B))" in the matter before subparagraph (A) of paragraph (1) after "of a hospital";

(3) by inserting, in the matter in paragraph (1) following subparagraph (B), "(other than on the basis of a DRG prospective payment rate determined under subsection (d))" after "payable under this title";

(4) by striking out paragraph (2);

(5) by inserting "and subsection (d) and except as provided in subsection (e)" in paragraph (3)(B) after "subparagraph (A)";

(6) by inserting "or fiscal year" after "cost reporting period" each place it appears in paragraph (3)(B);

(7) by inserting "before the beginning of the period or year" in paragraph (3)(B) after "estimated by the Secretary"; and

(8) by striking out "exceeds" in paragraph (3)(B) and inserting in lieu thereof "will exceed".

(c)(1) Subsection (c)(1) of such section is amended—

(A) by striking out "and" at the end of subparagraph (B),

(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and", and

(C) by adding at the end the following:

"(D) the Secretary determines that the system will not preclude an eligible organization (as defined in section 1876(b)) from negotiating directly with hospitals with respect to the organization's rate of payment for inpatient hospital services.

The Secretary cannot deny the application of a State under this subsection on the ground that the State's hospital reimbursement control system is based on a payment methodology other than on the basis of a diagnosis-related group or on the ground that the amount of payments made under this title under such system must be less than the amount of payments which would otherwise have been made under this title not using such system. If the Secretary provides that the assurances described in subparagraph (C) are based on maintaining payment amounts at no more than a specified percentage increase above the payment amounts in a base period, the State has the option of applying such test (for inpatient hospital services under part A) on an aggregate payment basis or on the basis of the amount of payment per inpatient discharge or admission. If the Secretary provides that the assurances described in subparagraph (C) are based on maintaining aggregate payment amounts below a national average percentage increase in total payments under part A for inpatient hospital services, the Secretary cannot deny the application of a State under this subsection on the ground that the State's rate of increase in such payments for such services must be less than such national average rate of increase."

(2) Subsection (c)(3) of such section is amended—

(A) by striking out "requirement of paragraph (1)(A)" and inserting in lieu thereof "requirements of subparagraphs (A) and (D) of paragraph (1) and, if applicable, the requirements of paragraph (5).", and

(B) by inserting "(or, if applicable, in paragraph (5))" in subparagraph (B) after "paragraph (1)".

(3) Subsection (c) of such section is further amended by adding at the end the following new paragraphs:

"(4) The Secretary shall approve the request of a State under paragraph (1) with respect to a hospital reimbursement control system if—

"(A) the requirements of subparagraphs (A), (B), (C), and (D) of paragraph (1) have been met with respect to the system, and

"(B) with respect to that system a waiver of certain requirements of title XVIII of the Social Security Act has been approved on or before (and which is in effect as of) the date of the enactment of the Social Security Act Amendments of 1983, pursuant to section 402(a) of the Social Security Amendments of 1967 or section 222(a) of the Social Security Amendments of 1972.

"(5) The Secretary shall approve the request of a State under paragraph (1) with

respect to a hospital reimbursement control system if—

"(A) the requirements of subparagraphs (A), (B), (C), and (D) of paragraph (1) have been met with respect to the system;

"(B) the Secretary determines that the system—

"(i) is operated directly by the State or by an entity designated pursuant to State law,

"(ii) provides for payment of hospitals covered under the system under a methodology (which sets forth exceptions and adjustments, as well as any method for changes in the methodology) by which rates or amounts to be paid for hospital services during a specified period are established under the system prior to the defined rate period, and

"(iii) hospitals covered under the system will make such reports (in lieu of cost and other reports, identified by the Secretary, otherwise required under this title) as the Secretary may require in order to properly monitor assurances provided under this subsection;

"(C) the State has provided the Secretary with satisfactory assurances that operation of the system will not result in any change in hospital admission practices which result in—

"(i) a significant reduction in the proportion of patients (receiving hospital services covered under the system) who have no third-party coverage and who are unable to pay for hospital services,

"(ii) a significant reduction in the proportion of individuals admitted to hospitals for inpatient hospital services for which payment is (or is likely to be) less than the anticipated charges for or costs of such services,

"(iii) the refusal to admit patients who would be expected to require unusually costly or prolonged treatment for reasons other than those related to the appropriateness of the care available at the hospital, or

"(iv) the refusal to provide emergency services to any person who is in need of emergency services if the hospital provides such services;

"(D) any change by the State in the system which has the effect of materially reducing payments to hospitals can only take effect upon 60 days notice to the Secretary and to the hospitals the payment to which is likely to be materially affected by the change; and

"(E) the State has provided the Secretary with satisfactory assurances that in the development of the system the State has consulted with local governmental officials concerning the impact of the system on public hospitals.

The Secretary shall respond to requests of States under this paragraph within 60 days of the date the request is submitted to the Secretary."

(d) Subsection (d) of such section, as added by section 110 of the Tax Equity and Fiscal Responsibility Act of 1982, is amended—

(1) by striking out "section 1814(b)" in paragraph (2)(A) and inserting in lieu thereof "subsection (b)", and

(2) by redesignating the subsection as subsection (j) and transferring and inserting such subsection at the end of section 1814 of the Social Security Act under the following heading:

"Elimination of Lesser-of-Cost-or-Charges Provision".

(e) Such section 1886 is further amended by adding at the end the following new subsections:

"(d)(1)(A) Notwithstanding section 1814(b) but subject to the provisions of section 1813, the amount of the payment with

respect to the operating costs of inpatient hospital services (as defined in subsection (a)(4)) of a subsection (d) hospital (as defined in subparagraph (B)) for inpatient hospital discharges in a cost reporting period or in a fiscal year—

"(i) beginning on or after October 1, 1983, and before October 1, 1986, is equal to the sum of—

"(I) the target percentage (as defined in subparagraph (C)) of the lesser of the hospital's target amount for the cost reporting period (as defined in subsection (b)(3)(A)), or the limitation established under subsection (a) (determined without regard to paragraph (2) thereof) for the period, and

"(II) the DRG percentage (as defined in subparagraph (C)) of the adjusted DRG prospective payment rate determined under paragraph (2) or (3) for such discharges; or

"(ii) beginning on or after October 1, 1986, is equal to the adjusted DRG prospective payment rate determined under paragraph (3) for such discharges.

"(B) As used in this section, the term 'subsection (d) hospital' means a hospital located in one of the fifty States or the District of Columbia other than—

"(i) a psychiatric hospital (as defined in section 1861(f)),

"(ii) a rehabilitation hospital (as defined by the Secretary),

"(iii) a hospital whose inpatients are predominantly individuals under 18 years of age, or

"(iv) a hospital which has an average inpatient length of stay (as determined by the Secretary) of greater than 25 days;

and, upon request of a hospital and in accordance with regulations of the Secretary, does not include a psychiatric or rehabilitation unit of the hospital which is a distinct part of the hospital (as defined by the Secretary).

"(C) For purposes of this subsection, for cost reporting periods beginning, or discharges occurring—

"(i) on or after October 1, 1983, and before October 1, 1984, the 'target percentage' is 75 percent and the 'DRG percentage' is 25 percent;

"(ii) on or after October 1, 1984, and before October 1, 1985, the 'target percentage' is 50 percent and the 'DRG percentage' is 50 percent; and

"(iii) on or after October 1, 1985, and before October 1, 1986, the 'target percentage' is 25 percent and the 'DRG percentage' is 75 percent.

"(2) The Secretary shall determine an adjusted DRG prospective payment rate, for each inpatient hospital discharge in fiscal year 1984 involving inpatient hospital services of a subsection (d) hospital (located in an urban or rural area within a census division) for which payment may be made under part A of this title, as follows:

"(A) DETERMINING ALLOWABLE INDIVIDUAL HOSPITAL COSTS FOR BASE PERIOD.—The Secretary shall determine the allowable operating costs of inpatient hospital services for the hospital for the most recent cost reporting period for which data are available.

"(B) UPDATING FOR FISCAL YEAR 1984.—The Secretary shall update each amount determined under subparagraph (A) for fiscal year 1984 by—

"(i) updating for fiscal year 1983 by the estimated average rate of change of hospital costs industry-wide between the cost reporting period used under such subparagraph and fiscal year 1983, and

"(ii) projecting for fiscal year 1984 by the applicable percentage increase (as defined in subsection (b)(3)(B)) for fiscal year 1984.

"(C) STANDARDIZING AMOUNTS.—The Secretary shall standardize the amount updated

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under subparagraph (B) for each hospital by—

"(i) excluding an estimate of indirect medical education costs,

"(ii) adjusting for variations among hospitals by area in the average hospital wage level, and

"(iii) adjusting for variations in case mix among hospitals.

"(D) COMPUTING URBAN AND RURAL AVERAGES IN EACH CENSUS DIVISION.—The Secretary shall compute an average of the standardized amounts determined under subparagraph (C) for each census division—

"(i) for all subsection (d) hospitals located in an urban area in that division, and

"(ii) for all subsection (d) hospitals located in a rural area in that division.

For purposes of this subsection, the term 'census division' means one of the nine divisions, comprising the fifty States and the District of Columbia, established by the Bureau of the Census for statistical and reporting purposes; the term 'urban area' means an area within a Standard Metropolitan Statistical Area (as defined by the Office of Management and Budget) or within such similar area as the Secretary has recognized under subsection (a) by regulation in effect as of January 1, 1983; and the term 'rural area' means any area outside such an area or similar area.

"(E) REDUCING FOR VALUE OF OUTLIER PAYMENTS.—The Secretary shall reduce each of the average standardized amounts determined under subparagraph (D) by a proportion equal to the proportion (estimated by the Secretary) of the amount of payments under this subsection based on DRG prospective payment rates which are additional payments described in paragraph (5)(A) (relating to outlier payments).

"(F) MAINTAINING BUDGET NEUTRALITY.—The Secretary shall adjust each of such average standardized amounts as may be required under subsection (e)(1)(B) for that fiscal year.

"(G) COMPUTING DRG-SPECIFIC RATES FOR URBAN AND RURAL HOSPITALS IN EACH CENSUS DIVISION.—For each discharge classified within a diagnosis-related group, the Secretary shall establish a DRG prospective payment rate which is equal—

"(i) for hospitals located in an urban area in a census division, to the product of—

"(I) the average standardized amount (computed under subparagraph (D), reduced under subparagraph (E), and adjusted under subparagraph (F)) for hospitals located in an urban area in that division, and

"(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group; and

"(ii) for hospitals located in a rural area in a census division, to the product of—

"(I) the average standardized amount (computed under subparagraph (D), reduced under subparagraph (E), and adjusted under subparagraph (F)) for hospitals located in a rural area in that division, and

"(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group.

"(H) ADJUSTING FOR DIFFERENT AREA WAGE LEVELS.—The Secretary shall adjust the proportion (as estimated by the Secretary from time to time) of hospitals' costs which are attributable to wages and wage-related costs, of the DRG prospective payment rates computed under subparagraph (G) for area differences in hospital wage levels by a factor (established by the Secretary) reflecting the relative hospital wage level in the geographic area of the hospital compared to the national average hospital wage level.

"(3) The Secretary shall determine an adjusted DRG prospective payment rate, for

each inpatient hospital discharge in a fiscal year after fiscal year 1984 involving inpatient hospital services of a subsection (d) hospital for which payment may be made under part A of this title, as follows:

"(A) UPDATING PREVIOUS STANDARDIZED AMOUNTS.—The Secretary shall compute an average standardized amount—

"(i) for fiscal years 1985, 1986, and 1987, for hospitals located in a urban area within each census division and for hospitals located in a rural area within each census division, and

"(ii) for subsequent fiscal years, for hospitals located in an urban area and for hospitals located in a rural area,

equal to the respective average standardized amount (or, for fiscal year 1988, the weighted average of the respective average standardized amounts) computed for the previous fiscal year under paragraph (3)(D) or under this subparagraph, increased by the applicable percentage increase under subsection (b)(3)(B) for that particular fiscal year.

"(B) REDUCING FOR VALUE OF OUTLIER PAYMENTS.—The Secretary shall reduce each of the average standardized amounts determined under subparagraph (A) by a proportion equal to the proportion (estimated by the Secretary) of the amount of payments under this subsection based on DRG prospective payment amounts which are additional payments described in paragraph (5)(A) (relating to outlier payments).

"(C) MAINTAINING BUDGET NEUTRALITY.—The Secretary shall adjust each of such average standardized amounts as may be required under subsection (e)(1)(B) for that fiscal year.

"(D) COMPUTING DRG-SPECIFIC RATES FOR URBAN AND RURAL HOSPITALS.—For each discharge classified within a diagnosis-related group, the Secretary shall establish a DRG prospective payment rate for the fiscal year which is equal—

"(i) for hospitals located in an urban area (and, if applicable, in a census division), to the product of—

"(I) the average standardized amount (computed under subparagraph (A), reduced under subparagraph (B), and adjusted under subparagraph (C)) for the fiscal year for hospitals located in an urban area (and, if applicable, in that division), and

"(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group; and

"(ii) for hospitals located in a rural area (and, if applicable, in a census division), to the product of—

"(I) the average standardized amount (computed under subparagraph (A), reduced under subparagraph (B), and adjusted under subparagraph (C)) for the fiscal year for hospitals located in a rural area (and, if applicable, in that division), and

"(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group.

"(E) ADJUSTING FOR DIFFERENT AREA WAGE LEVELS.—The Secretary shall adjust the proportion (as estimated by the Secretary from time to time) of hospitals' costs which are attributable to wages and wage-related costs, of the DRG prospective payment rates computed under subparagraph (D) for area differences in hospital wage levels by a factor (established by the Secretary) reflecting the relative hospital wage level in the geographic area of the hospital compared to the national average hospital wage level.

"(4)(A) The Secretary shall establish (and may from time to time make changes in) a classification of inpatient hospital discharges by diagnosis-related groups and a methodology for classifying specific hospital discharges within these groups.

"(B) For each such diagnosis-related group the Secretary shall assign (and may from time to time recompute) an appropriate weighting factor which reflects the relative hospital resources used with respect to discharges classified within that group compared to discharges classified within other groups.

"(5)(A)(i) The Secretary shall provide for an additional payment amount (as determined by the Secretary) for a subsection (d) hospital for any discharge in a diagnosis-related group the length of stay of which exceeds by 30 or more days the mean length of stay of discharges within that group.

"(ii) The Secretary shall provide for an additional payment amount (as determined by the Secretary) for a subsection (d) hospital for any discharge in a diagnosis-related group—

"(I) the length of stay of which exceeds by a period (which may vary by diagnosis-related group) of less than 30 days the mean length of stay for discharges within that group or

"(II) which reflects extraordinarily or unusually expensive costs relative to discharges classified within that group,

so that the total of the additional payments made under this subparagraph for discharges in a fiscal year is not less than 4 percent of the total payments made based on DRG prospective payment rates for discharges in that year.

"(B) The Secretary shall provide for an additional payment amount for subsection (d) hospitals with indirect costs of medical education, in an amount computed in the same manner as the adjustment for such costs under regulations (in effect as of January 1, 1983) under subsection (a)(2), except that in the computation under this subparagraph the Secretary shall use an educational adjustment factor equal to twice the factor provided under such regulations.

"(C)(i) The Secretary shall provide for such exceptions and adjustments to the payment amounts established under this subsection as the Secretary deems appropriate to take into account the special needs of public or other hospitals that serve a significantly disproportionate number of patients who have low income or are entitled to benefits under part A of this title.

"(ii) The Secretary may provide (on a general, class, or individual basis) for exceptions and adjustments to the payment amounts established under this subsection to take into account the special needs of sole community hospitals. For purposes of this section the term 'sole community hospital' means a hospital that, by reason of factors such as isolated location or absence of other hospitals (as determined by the Secretary), is the sole source of inpatient hospital services reasonably available to individuals in a geographical area who are entitled to benefits under part A.

"(iii) The Secretary shall provide by regulation for such other exceptions and adjustments to such payment amounts as the Secretary deems appropriate (including exceptions and adjustments that may be appropriate with respect to public and teaching hospitals and with respect to hospitals involved extensively in treatment for and research on cancer).

"(iv) The Secretary may provide for such adjustments to the payment amounts as the Secretary deems appropriate to take into account the unique circumstances of hospitals located in Alaska and Hawaii.

"(D)(i) The Secretary shall estimate for each fiscal year the amount of reimbursement made for services described in section 1862(a)(14) with respect to which payment was made under part B in the base report-

ing periods referred to in paragraph (2)(A) and with respect to which payment is no longer being made in the fiscal year.

"(ii) The Secretary shall provide for an additional payment for subsection (d) hospitals in each fiscal year so as appropriately to reflect the net amount described in clause (i) for that fiscal year.

"(E) This paragraph shall apply only to subsection (d) hospitals that receive payments in amounts computed under this subsection.

"(6) The Secretary shall provide for publication in the Federal Register, on or before the September 1 before each fiscal year (beginning with fiscal year 1984), of a description of the methodology and data used in computing the adjusted DRG prospective payment rates under this subsection, including any adjustments required under subsection (e)(1)(B).

"(7) There shall be no administrative or judicial review under section 1878 or otherwise of—

"(A) the determination of the requirement, or the proportional amount, of any adjustment effected pursuant to subsection (e)(1), and

"(B) the establishment of diagnosis-related groups, of the methodology for the classification of discharges within such groups, and of the appropriate weighting factors thereof under paragraph (4).

"(e)(1)(A) For cost reporting periods of hospitals beginning in fiscal year 1984 or fiscal year 1985, the Secretary shall provide for such proportional adjustment in the applicable percentage increase (otherwise applicable to the periods under subsection (b)(3)(B)) as may be necessary to assure that—

"(i) the aggregate payment amounts otherwise provided under subsection (d)(1)(A)(i)(D) for that fiscal year for operating costs of inpatient hospital services of hospitals,

are not greater or less than—

"(ii) the target percentage (as defined in subsection (d)(1)(C)) of the payment amounts which would have been payable for such services for those same hospitals for that fiscal year under this section under the law as in effect before the date of the enactment of the Social Security Act Amendments of 1983;

except that the adjustment made under this subparagraph shall apply only to subsection (d) hospitals and shall not apply for purposes of making computations under subsection (d)(2)(B)(i) or subsection (d)(3)(A).

"(B) For discharges occurring in fiscal year 1984 or fiscal year 1985, the Secretary shall provide under subsections (d)(2)(F) and (d)(3)(C) for such equal proportional adjustment in each of the average standardized amounts otherwise computed for that fiscal year as may be necessary to assure that—

"(i) the aggregate payment amounts otherwise provided under subsection (d)(1)(A)(i)(II) for that fiscal year for operating costs of inpatient hospital services of hospitals,

are not greater or less than—

"(B) the DRG percentage (as defined in subsection (d)(1)(C)) of the payment amounts which would have been payable for such services for those same hospitals for that fiscal year under this section under the law as in effect before the date of the enactment of the Social Security Act Amendments of 1983.

"(2) The Secretary shall provide for appointment of a panel of independent experts (hereinafter in this subsection referred to as the 'panel') to review the applicable percentage increase factor described

in subsection (b)(3)(B) and make recommendations to the Secretary on the appropriate percentage increase which should be effected for inpatient hospital discharges under subsections (b) and (d) for fiscal years beginning with fiscal year 1986. In making its recommendations, the panel shall take into account changes in the hospital market basket described in subsection (b)(3)(B), hospital productivity, technological and scientific advances, the quality of health care provided in hospitals, and long-term cost-effectiveness in the provision of inpatient hospital services.

"(3) The panel, not later than the May 1 before the beginning of each fiscal year (beginning with fiscal year 1986), shall report its recommendations to the Secretary on an appropriate increase factor which should be used (instead of the applicable percentage increase described in subsection (b)(3)(B)) for inpatient hospital services for discharges in that fiscal year.

"(4) Taking into consideration the recommendations of the panel, the Secretary shall determine for each fiscal year (beginning with fiscal year 1986) the percentage increase which will apply for purposes of this section as the applicable percentage increase (otherwise described in subsection (b)(3)(B)) for discharges in that fiscal year.

"(5) The Secretary shall cause to have published in the Federal Register, not later than—

"(A) the June 1 before each fiscal year (beginning with fiscal year 1986), the Secretary's proposed determination under paragraph (4) for that fiscal year, and

"(B) the September 1 before each fiscal year, the Secretary's final determination under such paragraph for that year.

The Secretary shall include in the publication referred to in subparagraph (A) for a fiscal year the report of the panel's recommendations submitted under paragraph (3) for that fiscal year.

"(6) The Secretary shall maintain, for a period ending not earlier than September 30, 1986, a system for the reporting of costs of hospitals receiving payments computed under subsection (d).

"(f)(1) The Secretary shall establish a system for monitoring admissions and discharges of hospitals receiving payment in amounts determined under subsection (b) or subsection (d) of this section. Such system shall use fiscal intermediaries, utilization and quality control peer review organizations with contracts under part B of title XI, and others to review hospital admission and discharge practices and the quality of inpatient hospital services provided for which payment may be made under part A of this title.

"(2) If the Secretary determines that a hospital, in order to circumvent the payment method established under subsection (b) or (d) of this section, has taken an action that results in the admission of individuals entitled to benefits under part A unnecessarily, unnecessary multiple admissions of the same such individuals, or other inappropriate medical or other practices with respect to such individuals, the Secretary may—

"(A) deny payment (in whole or in part) under part A with respect to inpatient hospital services provided with respect to such an unnecessary admission (or subsequent admission of the same individual), or

"(B) require the hospital to take other corrective action necessary to prevent or correct the inappropriate practice.

"(3) The provisions of paragraphs (2), (3), and (4) of section 1862(d) shall apply to determinations under paragraph (2) of this subsection in the same manner as they

apply to determinations made under section 1862(d)(1).

"(g)(1) No payment may be made under this title for capital-related costs of capital expenditures (as defined in section 1122(g)) for inpatient hospital services in a State, which expenditures occurred after the end of the three-year period beginning on the date of the enactment of this subsection, unless the State has an agreement with the Secretary under section 1122(b) and, under the agreement, the State has recommended approval of the capital expenditures.

"(2) The Secretary shall provide that the amount which is allowable, with respect to costs of inpatient hospital services for which payment may be made under this title, for a return on equity capital for subsection (d) hospitals (as defined in subsection (d)(1)(B)) shall, for cost reporting periods beginning on or after October 1, 1983, and before October 1, 1986, be equal to the target percentage (as defined in subsection (d)(1)(C)) of the amounts otherwise allowable under regulations in effect on March 1, 1983. For cost reporting periods beginning on or after October 1, 1986, the Secretary shall not provide for any such return on equity capital for such hospitals."

CONFORMING AMENDMENTS

Sec. 602. (a) Section 1153(b)(2) of the Social Security Act is amended by adding at the end the following new subparagraph:

"(C) The twelve-month period referred to in subparagraph (A) shall be deemed to begin not later than October 1983."

(b) Sections 1814(g) and 1836(e) of the Social Security Act are each amended by inserting "or would be if section 1896 did not apply" after "section 1861(v)(1)(D)".

(c) Section 1814(h)(2) of such Act is amended by striking out "the reasonable costs for such services" and inserting in lieu thereof "the amount that would be payable for such services under subsection (b) and section 1886".

(d)(1) The matter in section 1861(v)(1)(G)(i) of such Act following subclause (III) is amended by striking out "on the basis of the reasonable cost of" and inserting in lieu thereof "the amount otherwise payable under part A with respect to".

(2) Section 1861(r)(2)(A) of such Act is amended by striking out "an amount equal to the reasonable cost of" and inserting in lieu thereof "the amount that would be taken into account with respect to".

(3) Section 1861(v)(2)(B) of such Act is amended by striking out "the equivalent of the reasonable cost of".

(4) Section 1861(v)(3) of such Act is amended by striking out "the reasonable cost of such bed and board furnished in semi-private accommodations (determined pursuant to paragraph (1))" and inserting in lieu thereof "the amount otherwise payable under this title for such bed and board furnished in semi-private accommodations".

(e) Section 1862(a) of such Act is amended—

(1) by striking out "or" at the end of paragraph (12),

(2) by striking out the period at the end of paragraph (13) and inserting in lieu thereof "; or", and

(3) by adding at the end the following new paragraph:

"(14) which are other than physicians' services and which are furnished to an individual who is an inpatient of a hospital by an entity other than the hospital, unless the services are furnished under arrangements (as defined in section 1861(w)(1)) with the entity made by the hospital."

(f)(1) Section 1866(a)(1) of such Act is amended—

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(A) by striking out "and" at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E), and

(C) by adding at the end the following new subparagraph:

"(F) in the case of hospitals which provide inpatient hospital services for which payment may be made under subsection (a) or (d) of section 1886, to maintain an agreement with a utilization and quality control peer review organization (which has a contract with the Secretary under part B of title XI) under which the organization will perform functions under that part with respect to the review of admissions, discharges, and quality of care respecting inpatient hospital services for which payment may be made under part A of this title.

"(G) in the case of hospitals which provide inpatient hospital services for which payment may be made under subsection (b) or (d) of section 1886, not to charge any individual or any other person for inpatient hospital services for which such individual would be entitled to have payment made under part A but for a denial or reduction of payments under section 1886(f), and

"(H) in the case of hospitals which provide inpatient hospital services for which payment may be made under section 1886(d), to have all items and services (other than physicians' services) (i) that are furnished to an individual who is an inpatient of the hospital, and (ii) for which the individual is entitled to have payment made under this title, furnished by the hospital or otherwise under arrangements (as defined in section 1861(w)(1)) made by the hospital."

(2) The matter in section 1886(a)(2)(B)(ii) of such Act preceding subclause (D) is amended by inserting "and except with respect to inpatient hospital costs with respect to which amounts are payable under section 1886(d)" after "(except with respect to emergency services)".

(3) Section 1876(g) of such Act is amended by adding at the end the following:

"(4) A risk-sharing contract under this subsection may, at the option of an eligible organization, provide that the Secretary—

"(A) will reimburse hospitals either for the reasonable cost (as determined under section 1861(v)) or for payment amounts determined in accordance with section 1886, as applicable, of inpatient hospital services furnished to individuals enrolled with such organization pursuant to subsection (f), and

"(B) will deduct the amount of such reimbursement for payment which would otherwise be made to such organization."

(4)(1) Section 1878(a) of such Act is amended—

(A) by inserting "and (except as provided in subsection (g)(2)) any hospital which receives payments in amounts computed under section 1886(d) and which has submitted such reports within such time as the Secretary may require in order to make payment under such section may obtain a hearing with respect to such payment by the Board" after "subsection (h)" in the matter before paragraph (1),

(B) by inserting "(i)" after "(A)" in paragraph (1)(A),

(C) by inserting "or" at the end of paragraph (1)(A) and by adding after such paragraph the following new clause:

"(ii) is dissatisfied with a final determination of the Secretary as to the amount of the payment under section 1886(d), and

(D) by striking out "(1)(A)" in paragraph (3) and inserting in lieu thereof "(1)(A)(i), or with respect to appeals under paragraph (1)(A)(ii), 180 days after notice of the Secretary's final determination."

(2) Section 1878(g) of such Act is amended by inserting "(i)" after "(A)" and by adding at the end the following new paragraph:

"(2) The determinations and other decisions described in section 1886(a)(7) shall not be reviewed by the Board or by any court pursuant to an action brought under subsection (f) or otherwise."

(3) The third sentence of section 1878(c) of such Act is amended striking out "cost reimbursement" and inserting in lieu thereof "payment of providers of services".

(4) The first sentence of section 1881(b)(1)(A) of such Act is amended by inserting "or section 1886 (if applicable)" after "section 1881(c)".

(5) Section 1887(a)(1)(B) of such Act is amended by inserting "or on the basis described in section 1886" after "on a reasonable cost basis".

REPORTS, EXPERIMENTS AND DEMONSTRATION PROJECTS, AND INTENT OF CONGRESS RESPECTING TREATMENT OF NEW CAPITAL EXPENDITURES

Sec. 604. (a)(1) The Secretary of Health and Human Services (hereinafter in this title referred to as the "Secretary") shall study and report to the Congress at the end of 1983 on—

(A) the method by which capital-related costs associated with inpatient hospital services can be included within the prospective payment amounts computed under section 1886(d) of the Social Security Act,

(B) payment with respect to a return on equity capital for hospitals receiving payments under such section, and

(C) the impact on skilled nursing facilities of hospital prospective payment systems, and recommendations concerning payment of skilled nursing facilities.

(2)(A) The Secretary shall study and report annually to the Congress at the end of each year beginning with 1984 and ending with 1987 on the extent, impact, of the payment methodology under section 1886(d) of the Social Security Act during the previous year, on individual hospitals, classes of hospitals, beneficiaries, and other payors for inpatient hospital services, and, in particular, on the impact of computing averages by census division, rather than on a national average basis. Each such report shall include such recommendations for such changes in legislation as the Secretary deems appropriate. The Comptroller General shall review and comment on the adequacy of each of the reports with respect to their analysis of the impact of the payment methodology under section 1886(d) of the Social Security Act.

(B) During fiscal year 1984, the Secretary shall begin the collection of data necessary to compute the amount of physician charges attributable, by diagnosis-related groups, to physicians' services furnished to inpatients of hospitals whose discharges are classified within these groups. The Secretary shall include, in annual report to Congress under subparagraph (A) for 1984, recommendations on the advisability and feasibility of providing for determining the amount of the payments for physicians' services furnished to hospital inpatients based on the DRG classification of the discharges of these inpatients.

(C) In the annual report to Congress under subparagraph (A) for 1985, the Secretary shall include the results of studies on—

(i) the feasibility and impact of eliminating or phasing out separate urban and rural DRG prospective payment rates under paragraph (3) of section 1886(d) of the Social Security Act;

(ii) whether and the method under which hospitals, not paid based on amounts determined under such section, can be paid for

inpatient hospital services on a prospective basis as under such section;

(iii) the appropriateness of the factors used under paragraph (3)(4) of such section to compensate hospitals for the additional expenses of outlier cases;

(iv) the feasibility and desirability of applying the payment methodology under such section to payment for all payers for inpatient hospital services; and

(v) the impact of such section on hospital admissions and the feasibility of making a change in the DRG prospective payment rates or requiring preadmission certification in order to minimize the incentive to increase admissions.

(D) In the annual report to Congress under subparagraph (A) for 1986, the Secretary shall include the results of a study examining the overall impact of State systems of hospital payment (either approved under section 1886(e) of the Social Security Act or under a waiver approved under section 404(a) of the Social Security Amendments of 1967 or section 220(a) of the Social Security Amendments of 1972), particularly assessing such systems' impact not only on the Medicare program but also on the Medicaid program, on payments and premiums under private health insurance plans, and on tax expenditures.

(E)(1) Except as provided in paragraph (2), the amendments made by this title shall not affect the authority of the Secretary to develop, carry out, or continue experiments and demonstration projects.

(2) The Secretary shall provide that, upon the request of a State which has a demonstration project, for payment of hospitals under title XVIII of the Social Security Act approved under section 404(a) of the Social Security Amendments of 1967 or section 222(a) of the Social Security Amendments of 1972, which (A) is in effect as of March 1, 1983, and (B) was entered into after August 1982, the terms of the demonstration agreement shall be modified so that the demonstration project is not required to maintain the rate of increase in Medicare hospital costs in that State below the national rate of increase in Medicare hospital costs.

(3) It is the intent of Congress that, in implementing a system for including capital-related costs under a prospectively determined payment rate for inpatient hospital services, costs related to capital projects initiated on or after March 1, 1983, may be distinguished and treated differently from costs of projects initiated before such date.

REVENUE LOSS

Sec. 604. (a)(1) Except as provided in paragraph (2), the amendments made by this title apply to items and services furnished by or under arrangements with a hospital beginning with its first cost reporting period that begins on or after October 1, 1983. A change in a hospital's cost reporting period that has been made after November 1982 shall be recognized for purposes of this section only if the Secretary finds good cause for that change.

(2)(A) Section 1886(a)(1)(F) of the Social Security Act (as added by section 602(f)(1)(C) of this title) takes effect on October 1, 1984, and section 1862(a)(14) (as added by section 602(e)(3) of this title) and sections 1886(a)(1)(G) and (H) of such Act (as added by section 602(f)(1)(C) of this title) take effect on October 1, 1985.

(B) The Secretary may provide that, during the period ending October 1, 1983, the provisions of sections 1862(a)(14) and 1886(a)(1)(H) of the Social Security Act shall not apply to services furnished in hospitals that can demonstrate that their billing practice prior to October 1, 1982, was to

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bill for such services independent of the hospital payment.

(b) The Secretary shall make an appropriate reduction in the payment amount under section 1886(d) of the Social Security Act (as amended by this title) for any discharge, if the admission has occurred before a hospital's first cost reporting period that begins after September 1983, to take into account amounts payable under title XVIII of that Act (as in effect before the date of the enactment of this Act) for items and services furnished before that period.

(c)(1) The Secretary shall cause to be published in the Federal Register a notice of the interim final DRG prospective payment rates established under subsection (d) of section 1886 of the Social Security Act (as amended by this title) no later than September 1, 1983, and allow for a period of public comment thereon. The DRG prospective payment rates shall become effective on October 1, 1983, without the necessity for consideration of comments received, but the Secretary shall, by notice published in the Federal Register, affirm or modify the amounts by December 31, 1983, after considering those comments.

(2) A modification under paragraph (1) that reduces a DRG prospective payment rate shall apply only to discharges occurring after 30 days after the date the notice of the modification is published in the Federal Register.

(3) Rules to implement subsection (d) of section 1886 of the Social Security Act (as so amended) shall, and exceptions, adjustments, or additional payment amounts under paragraph (5) of such subsection may, be established in accordance with the procedure described in this subsection.

The CHAIRMAN. Are there any committee amendments?

Mr. ROSTENKOWSKI. There are no committee amendments, Mr. Chairman.

AMENDMENT OFFERED BY MR. PICKLE

Mr. PICKLE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PICKLE: Strike out sections 201 and 202 (beginning on page 84, line 9, and ending on page 86, line 8) and insert in lieu thereof the following new section (with a conforming amendment to the table of contents):

INCREASE IN RETIREMENT AGE

Sec. 201. (a) Section 216 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"RETIREMENT AGE

"(1)(I) The term 'retirement age' means—

"(A) with respect to an individual who attains early retirement age (as defined in paragraph (2)) before January 1, 2000, 65 years of age;

"(B) with respect to an individual who attains early retirement age after December 31, 1999, and before January 1, 2005, 65 years of age plus the number of months in the age increase factor (as determined under paragraph (3)) for the calendar year in which such individual attains early retirement age;

"(C) with respect to an individual who attains early retirement age after December 31, 2004, and before January 1, 2017, 66 years of age

"(D) with respect to an individual who attains early retirement age after December 31, 2016, and before January 1, 2022, 66 years of age plus the number of months in the age increase factor (as determined under paragraph (3)) for the calendar year in which such individual attains early retirement age; and

"(E) with respect to an individual who attains early retirement age after December 31, 2021, 67 years of age.

"(2) The term 'early retirement age' means age 62 in the case of an old-age, wife's, or husband's insurance benefit, and age 60 in the case of a widow's or widower's insurance benefit.

"(3) The age increase factor for any individual who attains early retirement age in a calendar year within the period to which subparagraph (B) or (D) of paragraph (1) applies shall be determined as follows:

"(A) With respect to an individual who attains early retirement age in the 5-year period consisting of the calendar years 2000 through 2004, the age increase factor shall be equal to two-twelfths of the number of months in the period beginning with January 2000 and ending with December of the year in which the individual attains early retirement age.

"(B) With respect to an individual who attains early retirement age in the 5-year period consisting of the calendar years 2017 through 2021, the age increase factor shall be equal to two-twelfths of the number of months in the period beginning with January 2017 and ending with December of the year in which the individual attains early retirement age."

(b)(1) Section 202(q)(9) of such Act is amended to read as follows:

"(9) The reduction factors for early retirement specified in paragraph (1) shall be periodically revised by the Secretary so that—

"(A) in the case of old-age insurance benefits, wife's insurance benefits, and husband's insurance benefits, the reduction factors applicable to an individual initially becoming entitled to such benefits at an age not more than 3 years less than the retirement age applicable to such individual will be the same as those specified in paragraph (1), and the reduction factors for each month below the age which is 3 years lower than the applicable retirement age shall each be five-twelfths of 1 percent; and

"(B) in the case of widow's insurance benefits and widower's insurance benefits, the reduction factors applicable to an individual initially becoming entitled to such benefits at early retirement age shall be the same as those specified in paragraph (1), and the reduction factors applicable to individuals initially becoming entitled to such benefits at a greater age shall each be established by linear interpolation between the applicable reduction factor for such early retirement age and a factor of unity at the applicable retirement age."

(2) Section 202(q)(1) of such Act is amended by striking out "if" and inserting in lieu thereof "Subject to paragraph (9), if".

(c) Title II of the Social Security Act is further amended—

(1) by striking out "age 65" or "age of 65", as the case may be, each place it appears in the following sections and inserting in lieu thereof in each instance "retirement age (as defined in section 216(1))":

(A) subsections (a), (b), (c), (d), (e), (f), (q), (r), and (w) of section 202,

(B) subsections (c) and (f) of section 203,

(C) subsections (f) of section 215,

(D) subsections (h) and (i) of section 216,

and

(E) sections 223(a);

(2) by striking out "age sixty-five" in section 203(c) and inserting in lieu thereof "retirement age (as defined in section 216(1))"; and

(3) by striking out "age of sixty-five" in section 223(a) and inserting in lieu thereof "retirement age (as defined in section 216(1))".

(d) The Secretary shall conduct a comprehensive study and analysis of the implica-

tions of the changes made by this section in retirement age in the case of those individuals (affected by such changes) who, because they are engaged in physically demanding employment or because they are unable to extend their working careers for health reasons, may not benefit from improvements in longevity. The Secretary shall submit to the Congress no later than January 1, 1986, a full report on the study and analysis. Such report shall include any recommendations for legislative changes, including recommendations with respect to the provision of protection against the risks associated with early retirement due to health considerations, which the Secretary finds necessary or desirable as a result of the findings contained in this study.

Mr. PICKLE (during the reading). Mr. Chairman, I ask unanimous consent the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. ROSTENKOWSKI. Mr. Chairman, pursuant to the rule, I designate the gentleman from Massachusetts (Mr. SHANNON) a member of the committee, to control the time in opposition to the Pickle amendment.

The CHAIRMAN. Pursuant to House Resolution 126, the gentleman from Texas (Mr. PICKLE) will be recognized for 1 hour, and the gentleman from Massachusetts (Mr. SHANNON) will be recognized for 1 hour.

The Chair recognizes the gentleman from Texas (Mr. PICKLE).

Mr. PICKLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Iowa (Mr. BEDELL).

(Mr. BEDELL asked and was given permission to revise and extend his remarks.)

Mr. BEDELL. Mr. Chairman, I rise in support of H.R. 1900, the Social Security Act Amendments of 1983. Although I do not support each and every individual provision in this bill, I do feel that as a whole the agreement reached represents a shared sacrifice between those who are presently retired and those in the work force—both of which have so much at stake in the strength of the social security system.

Judging from the hundreds of letters, phone calls, and appeals raised repeatedly across my congressional district, it is quite apparent that no other issue has alarmed so many Americans and caused so much anxiety as the future of social security. Directly or indirectly, social security touches the lives of almost every American. There is no question that it is the central feature of the way Americans plan their financial futures. That security must be restored and preserved.

I want to commend the National Commission on Social Security for its deliberations on this important matter and for putting forth a consensus package of recommendations designed to solve the system's short-range problems and most of its longer term diffi-

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culties. In addition, I want to extend my praise to the Ways and Means Committee and the Subcommittee on Social Security for their prompt action and leadership.

The bill before us today makes several changes in the social security retirement program designed to insure its solvency through a combination of tax and benefit adjustments, extensions of coverage, and administrative changes. In addition, H.R. 1900 begins to address the financial difficulties the medicare hospital insurance system is anticipated to face by the end of this decade.

As I stated, I do not agree with every element of this package. For example, I have concerns about the provision which increases the tax rate for self-employed persons to the full employer-employee rate. I also have reservations about solving the social security problems by merging civil service retirement with social security.

At the same time, we cannot ignore the fact that several problems of the system were not addressed in this legislation. For instance, prisoners are receiving social security benefits through a loophole. Even though there are relatively few recipients presently in the prison system and the savings may not appear significant, it just does not seem fair to allow convicted criminals to continue to drain the system in this way. The same concern applies to nonresident aliens who collect monthly social security checks.

However, our responsibility is to make an overall judgment on this package as a whole. Because of the seriousness of the problems facing our social security system, my vote today has to be based on a balancing of the benefits of the whole package against any specific concerns I have.

During the past few years, I have given the solvency question a lot of careful thought. I have received helpful ideas and suggestions from people all across northern Iowa on preserving social security in a fair and even-handed manner. During the course of my work on this issue and as a direct result of the thoughts of the people of the Sixth District, I introduced in the House of Representatives the Bedell social security package. As I stated in testimony I gave before the Ways and Means Subcommittee on Social Security in February, the Bedell package would not significantly change benefit payments or raise taxes, but would help put social security back on firm financial footing while at the same time ease the pressures on medicare. My package consists of bills to prohibit payment of any social security benefits to convicted criminals in penal institutions; reallocate the hospital insurance (HI) component of the payroll tax to the old age and survivors (OASI) and the disability insurance (DI) trust funds while paying hospital benefits from the general revenues; and modify the formula used to adjust benefits to keep pace with inflation by

setting the cost-of-living adjustment at no greater than either the rise in the Consumer Price Index or the wage index, whichever is lower.

I am pleased to note, Mr. Chairman, that this safeguard concept regarding the cost-of-living adjustment formula, which is a part of the Bedell social security package, has been included in the Social Security Act amendments before us today.

Finally, Mr. Chairman, on the subject of raising the retirement age, I think the results of a recent poll I took of the views of northern Iowans is of interest. This poll shows that northern Iowans are receptive to raising the retirement age over a long period of time. This reinforces my own feeling that gradually raising the retirement age over a 12-year period beginning in the year 2000 is a constructive way of strengthening social security's long-term problem which will affect future generations of retirees.

Again, a sound and solvent social security system is one of the most important concerns of millions of Americans. I think we must act today to assure that Congress will continue to see to it that social security provides a security for these people during their golden years. We must make sure that social security will be there for those who need and deserve it. The worst thing we can do for social security is to do nothing at all.

Mr. PICKLE. Mr. Chairman, I yield such time as he may consume to the gentleman from South Dakota (Mr. DASCHLE).

(Mr. DASCHLE asked and was given permission to revise and extend his remarks.)

Mr. DASCHLE. I rise in support of H.R. 1900, the bipartisan Social Security Act Amendments of 1968. I commend the leadership of both parties as well as the Ways and Means Committee for reporting legislation I believe is a remarkably equitable and responsible effort which will not unfairly burden any segment of our society.

I am most pleased that the committee has included in the reform package several provisions I had included in the Social Security Loophole Reform Act of 1963, H.R. 1420. These provisions include placing Members of Congress and legislative branch employees under the program, turning uncashed social security checks into the social security trust funds rather than the General Treasury utilizing a short-term as well as a long-term interest rate for the payment of interest on social security trust fund investments, and preventing nonprofit organizations as well as State and local groups from dropping out of the program, a practice that has been on the increase as the financial plight of the program became widely reported.

Hearings will be held on another aspect of my plan, preventing dependency payments to noncitizens. I am hopeful that a legislative remedy to

this particular problem will be approved sometime later this year after hearings are held. Though none of these provisions alone will save social security, they do correct some very glaring inequities and discrepancies adversely affecting program revenues as well as citizen confidence in the overall fairness of the program.

I would also like to comment on a few other aspects of the compromise package. A number of self-employed persons have called me expressing concern over the increased taxes they will be expected to pay as a result of the compromise. I was pleased that the Ways and Means Committee will allow a credit instead of a deduction for the increased tax load the self-employed will be expected to bear. I believe the tax credit will to a large extent offset the impact of this proposal on the self-employed, and I heartily endorse this change.

Another change I support is the increase in the amount of outside earnings an individual or couple can have before one-half of this additional amount is made taxable. The Social Security Reform Commission had recommended \$20,000 and \$25,000 respectively for individuals and couples as the minimum level of outside income to be taxed. I believe the committee was a bit more realistic and far-sighted in raising these levels to \$25,000 for individuals and \$32,000 for couples in recognition of future increases in income, and so forth, and as a result of inflation and other factors.

I also approve of the committee's actions with respect to prospective payments for medicare inpatient hospital services. Payments for medicare and medicaid have soared by an average of 17 percent a year. Medicare expenditures in 1981 totaled \$42.5 billion, a staggering 35-fold increase from the \$1.2 billion in outlays at the program's inception in 1966. I believe that prospective payment for medicare inpatient hospital services is an important start in the battle to control medical and health care costs.

The provision allowing for additional unemployment benefits is an important and compassionate effort to alleviate the suffering of some 12 million Americans currently out of work. I believe the committee acted appropriately and responsibly to assist these Americans hurt by the ravages of the current recession.

Finally, I believe it is time to recognize increased longevity in this Nation and by doing so adopt the Pickle amendment to phase in an increase in the retirement age from 65 to 67. In the year 2009, the retirement age would increase to 66 and in 2027 it would increase to 67. When President Roosevelt signed legislation enacting social security into law back in 1935, life expectancy was approximately 60 for men and 64.5 for women. Today these figures are 69.8 for men and 77.7 for women. It is not inappropriate to

recognize this fact and increase the retirement age correspondingly. Only those persons 46 years of age or less will be affected by the increase to age 66, and those 19 or less by the increase to age 67. This is not an unreasonable burden to ask current generations which can expect to live longer than any other generation in our Nation's history.

I might also point out that the original retirement age of 65 was established in 1936. It has never in the program's history been changed to reflect increased longevity. I wish also to restate that this long-term funding proposal will not affect anybody currently over the age of 46.

I am also supporting the Pickle amendment because it would supplant the long-term financing committee compromise to cut benefits slightly in the year 2000 and further increase employer/employee taxes in the year 2010. I believe that acceleration of taxes in the short-term is enough of a tax increase and that a further increase in taxes for long-term financing, albeit less than 0.6 percent, is excessive and a double burden on those already expected to pay accelerated social security taxes in the next several years.

In conclusion, Mr. Chairman, I heartily endorse the social security compromise plan with the Pickle amendment phasing in increased retirement ages. I believe this is a fair and responsible effort which will shore up social security for the indefinite future and restore our citizen's confidence in what has been a most successful, if often maligned, retirement program.

Mr. PICKLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Georgia (Mr. ROWLAND).

(Mr. ROWLAND asked and was given permission to revise and extend his remarks.)

Mr. ROWLAND. Mr. Chairman, I commend the members of the Committee on Ways and Means for their diligence in seeing that an acceptable social security financing package was brought before the House in a timely fashion.

We are all aware of the severe time constraints involved with implementing H.R. 1900, and I know that every person in this Chamber will sleep a little easier tonight, knowing that the retirement checks to social security recipients will not be delayed.

Before us today, we have a compromise package. The gentleman from Florida (Mr. Young) commented earlier that it must be a fair bill because each person with whom he met had a complaint about it.

Under closer observation, it is apparent that we have before us not a bill which satisfies a majority of the populace, but a bill that has generated an equal level of opposition from almost all factions. In fact, I would be hard pressed to find any two people with

different occupations that would reject the same provision of this bill. The composition of this legislation has successfully fractionalized all interested parties. There has been no coalition of opposition, because there is no consensus of disagreement. A flawless strategy, I must admit.

The Federal employees have opposed extended social security coverage for new hires. And with good reason. They have been given no guarantees that the retirement system, which is their future, will be solvent.

Those self-employed workers who make up a large component of our labor force will be taxed as if each one is really two complete taxpayers.

And the elderly of this land are convinced that their incomes will not keep up with inflation if a delay in the COLA is enacted.

Then of course, there are the opposing factions on how to solve the remaining long-term financing problem—whether to increase employee taxes or reduce benefits to retirees.

But we had plenty of time to come to terms with all of these provisions. The passage of H.R. 1900 is inevitable. However, I am concerned that we might be taking advantage of this new found momentum by arbitrarily attaching other legislation to it, assured of its passage.

There is no doubt that we must stop the escalating cost of health care, but this bill may not be the proper mechanism for making sweeping changes to the medicare payment plan.

While the medical industry did not present any major obstacle to the inclusion of the prospective payment plan, we must remember the alternative plan for payment contained in the Tax Equity and Fiscal Responsibility Act of 1982 would have a more adverse affect on health care providers. This is merely the more attractive choice.

I implore you not to mistake my intentions. I sincerely hope this plan will equitably reduce health care cost. The concept of prospective payments is reasonable, but the potential of this plan is only as good as the provisions which were hurriedly assembled during the last few months of the 97th Congress.

History can at times provide us with clues to the future. Nearly a decade ago, a nationwide network of health agencies was created for the purpose of lowering hospital costs. Some of us who were professionally involved with the health care systems felt the legislation was too hastily conceived and ill-advised. In November of 1975, I testified against a measure before the House Ways and Means Committee, and subsequently those remarks appeared in the CONGRESSIONAL RECORD.

When I read back over those remarks, I realize we were absolutely right about one point. Regardless of whether we were right or wrong on the merits of the issue, it would have been far more prudent to study the proposed program thoroughly before

risking hundreds of millions of dollars on something that might not work the way it was designed.

Today we are phasing out those agencies. After spending up to \$157.7 million a year on this program, funding was decreased to about \$56 million for the past 2 fiscal years.

The goal was a worthy one, but the health agencies did not work out the way they were planned.

Now, we are again confronted by a proposed program to deal with health care costs that has been rather hastily developed. And at this stage, there is no conclusive evidence to verify the cost effectiveness of this plan.

I realize my arguments in this matter will not change the outcome of this legislation. In spite of all my reservations, this bill is the only option available. While this \$165.3 billion package may temporarily ease the social security financing crisis, I have serious doubts about the long-term financial integrity of the system.

However, I will support this package because I have a responsibility to the 36 million retirees who are facing a bankrupt social security retirement program. To not expeditiously pass legislation to stabilize the social security system would be irresponsible and inexcusable to the millions who depend on their checks to survive.

But to pass this bill without acknowledging that it does not have the overwhelming support of my constituency would be deceptive.

Mr. PICKLE. Mr. Chairman, I yield myself 15 minutes.

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Chairman, we have reached the point now in the consideration of our social security reform bill where the House will be asked to work its will to determine what route we take to correct the long-term deficit of 0.68 percent of payroll. Two amendments have been made in order, and I present the amendment that, in effect, would raise the normal retirement age in the future, starting at the year 2000 and completing in the year 2027.

First, I think it would be best if I would state to the Members what my amendment does.

The amendment I have offered raises the normal retirement age in two steps.

First it raises the normal retirement age to 66 by increasing the age for full benefits by 2 months per year for 6 years, so that the proposal would be fully effective beginning with those attaining the age 66 in the year 2009.

In other words, the change in age would not be fully completed for some 26 years.

The phase-in would begin at age 62. We retain that 62 level of early retirement. It saves 0.42 percent of taxable payroll. Keep in mind that we must save or raise 0.68.

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The second stage does this: It raises the normal retirement age from 66 to 67 by increasing the age for full benefits by 2 months a year for 6 years so that the proposal would be fully effective beginning with those attaining the age 67 in the year 2027.

The phase-in would begin with those at age 62 which commenced in 2017. This second step saves 0.26 percent of payroll.

Another part of the amendment is that the age 62 benefits would be maintained at an ultimate rate of 70 percent of full benefits fully effective after the age for full retirement is changed to 67. There will be no changes made in medicare or SSI. And last, the amendment requires the Secretary, by January 1, 1986, to conduct and submit with recommendations to Congress a comprehensive study and analysis of the implications of the change in retirement age for those individuals affected by this change who, because they are engaged in physically demanding employment, or because they are unable to extend their working careers for health reasons, may not benefit from improvements in longevity.

Now, let me repeat, I would raise the retirement age way in the future by raising it 2 months per year starting in the year 2000. The first stage would be completed by the year 2009. In other words, with 17 years in this century and 9 years later, it would not be fully effective for some 26 years in the future.

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Thus anybody 45 years or above would not be affected by this amendment.

The second part of the amendment raises the age from 66 to 67, and that does not start until 2017 and it is not made fully effective until the year 2027. Now with the 17 years in this century and the 27 years that would mean 44 years. Thus, my second stage would affect a very small percent of the present workforce.

Now why should the Congress take this step and why should the Congress take this step in 1983? Let me mention some of the points that I think should be made today.

First, the social security program faces a long-term deficit after the turn of the century that is largely demographic in nature. Now Members ought to remember that, it is substantial. The deficit is over 26 percent of program costs in the outyears and it begins sooner than most of us think, as income to the trust funds will begin to fall below the outgo somewhere in the years 2010 to 2015.

Now, Mr. Chairman, this shortage is a demographic shortfall. Overall program costs will remain fairly steady as a percent of GNP. This long-time deficit arises in spite—now in spite—of the projection of real wage growth of 1.5 percent, of low unemployment of 5.5 percent, of low inflation of 4 percent,

and an increase in the birth rate over current levels.

The trustees of the social security program are very clear about the reason for this deficit, and I hope the Members listen to this point: This is the reason they cite for the deficit: The number of beneficiaries will be increasing faster than the number of workers; it is demographic and we should remember that.

Now, while we cannot forecast with total accuracy, we would have to have very, very substantial changes in these projections to eliminate the deficit in the outyears. Moreover, our young people know that this problem exists. They know that there are problems in the program which exist, and they will not have confidence in the system unless they see a solution enacted which addresses this four-square.

Second, the demographic impact on the social security trust funds comes not just from baby booms or from a drop in fertility rates. Longevity has increased dramatically in this century, with most of the increases in the last half occurring among the adult population and not through lower infant mortality or other factors. More people are living longer, and these increases have occurred already across the board among men and women and among all races.

The gentleman from Illinois (Mr. MICHEX) made the point very well that life expectancy has increased over 10 years in recent times, and we must take that into account as we consider the demographics of our program.

Three, the combination of demographic circumstances facing us means that an increase in the retirement age is inevitable. This Congress has already gone on record many times fighting age discrimination in employment. Once the baby boom is fully adult there will be a slowdown in the growth of the labor force, and it will become even more important to encourage individuals to work longer in order to maintain overall national growth.

Given the inevitability, and I say it is the inevitability, the only fair route, the only reasonable, responsible route, is to make the change now so that individuals have full notice of what to expect.

Now four, Mr. Chairman, any measure which seeks to address the long-term needs of social security are going to make some changes that have unfavorable side effects. Raising taxes hits hardest on the low income and consequently on minorities and women, who are often lower paid. Raising taxes causes inflation. It hurts the little worker more than anything that we could do. Reducing the growth of benefits by any measure or any formula also cuts benefits which hit these same groups just as hard. Only by raising the age are we making it clear that we want individuals who can stay in the work force longer. And if they do that then they will suffer no reduc-

tion. My colleagues are going to hear arguments later that our people who retire early will have to suffer from a reduction in their benefits and they will impart to you the harshness of that. I want to challenge those figures, but I want to say to my colleagues at the very beginning, those people who stay on the work force will not suffer reductions and thus that will not apply.

The responsibility of the Congress here today is to look down the road. We can sit here and continue to cut benefits and raise taxes, or we recognize the future and make the kind of change that will rekindle the confidence in this program by shaping it to what the future holds down the road.

Now, Mr. Chairman, there is nothing sacrosanct about the age 65. I think we would probably all agree it was a proper age when it was started back in 1935. But it does not mean that automatically you can never tamper with it or change that age. The social security program already offers benefits at different ages. Those alternatives and those options are available now. Right now, today, our program offers benefits without any test of retirement after age 70.

Second, it offers retirement benefits at many different levels between the ages of 62 and 70.

Third, it offers benefits to widows and widowers at age 60. And fourth, it offers benefit to disabled at any time.

Those are options available now.

Now, Mr. Chairman, my amendment does not change any of those options and the argument that we would take that away is just not a valid argument. All these benefits will be continued to be offered. The difference is that we are slightly altering the amount so that those who do stay in the work force longer will receive no reduction whatsoever. And that is a key factor. And we are seeking the concrete information we need to continue to provide the kind of protection appropriate for anyone who cannot stay in the work force longer.

We put in the amendment, which has the support of the administration, that we are going to require the Secretary of HHS to submit to the Congress within 3 years an analysis and a plan to put into effect to recognize those people who have any kind of occupational disability so if they cannot profit by longevity they can at least retire.

For instance, a coal miner in West Virginia might certainly qualify, and we want to take that into consideration. Or any manual type of labor that shows that individual's body might be unable to perform at age 62.

Mr. Chairman, we do not have the option of not making changes, the House must make changes. The former National Commission on Social Security recommended raising the age. The President's Commission on Pension Policy recommended raising the

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age. A majority of the most recent National Commission on Social Security Reform recommended raising the age. A clear majority of the Ways and Means Committee, both Democrat and Republican, have recommended raising the age. This is not a partisan matter. It is not a Republican or Democratic matter. I would remind the House that I am the one who started the proposal of raising the age and I did that over 2 years ago. And as a Democrat I want to make it plain that we are not playing politics; we are not being partisan at this point.

Now then there may be a temptation to vote on no amendments because some may view that as a safe route. But let me tell my colleagues, the only way to play it safe is to do the right thing and that is to raise this age prospectively in the future. We must restore confidence in this program. We must go about it in the cleanest and the clearest way possible. We must tell the people plainly that we are meeting the needs of the future. And we must give them notice of what is going to come about. Their confidence will depend in great measure on how we handle this long-term deficit.

The bill we brought before you makes many changes and it does solve two-thirds of the long-term deficit.

Now, Mr. Chairman, we must choose which route will we take. Your choices are simple. You can vote for the measure that is in the bill that reduces benefits and raises taxes. Or, you can vote for the Pepper amendment that raises taxes entirely. Or, you can go the Pickle route which raises age in the future and does not raise taxes. I think my proposal is the preferable one. It is the time to do it.

□ 1450

I conclude by saying this to you. This Congress, whenever we get into difficulty with social security, is going to do whatever is necessary. Mr. Chairman, we know that. If we are asked to raise taxes or to cut benefits, we will do that. We will measure up, I think, in some respects; but we may not have a chance in this lifetime to do the responsible thing about raising the age, and raising that age is absolutely inevitable. Now is the time. If we miss this chance, we will end up in the future just raising taxes. I do not think the American people want that or will stand for it.

I hope my party does not stand for it. I hope the majority of this House will recognize that we ought to increase the age as we have outlined, and I earnestly solicit your support on this amendment.

Mr. SHANNON. Mr. Chairman, I yield such time as he may consume to the gentleman from New Mexico (Mr. RICHARDSON).

(Mr. RICHARDSON asked and was given permission to revise and extend his remarks.)

Mr. RICHARDSON. Mr. Chairman, I strongly oppose Congressman Pick-

le's proposed amendment to H.R. 1900, the Social Security Act Amendments of 1983, which would increase the age at which a person could retire with full benefits, from age 65 to 67. The hard, cold fact is, this amendment calls for a cut in benefits for future retirees. Although supporters of the Pickle amendment claim that it is only logical to increase the retirement age due to the increased life expectancy of the average American, they ignore some important facts.

Longer life does not necessarily mean better health during later years. Due to rising costs of health care, the health of the elderly may actually worsen. Raising the retirement age would devastate those individuals who are unable to work beyond age 65 due to a lifetime of work in hard physical jobs. Additionally, it is the blue collar worker who already receives the smallest benefit. To further reduce their benefits would be unconscionable. A worker who had lost his job or is unable to work beyond age 65 due to poor health, will be extremely unlikely to find employment at an advanced age.

This amendment would also have an extremely adverse effect on women and minorities. Although women are living longer, their disability rates are on the rise. Older women would find it especially difficult to find employment due to the double burden of sex and age discrimination.

Minorities account for 60 percent of the population of my district in New Mexico. An unfortunate fact is that minorities have a substantially shorter life expectancy than other Americans do. In essence, this amendment asks minorities to pay into the social security system their entire life, with the likelihood that they may never receive benefits.

Mr. Chairman, I urge you and the Members of this body to vote against the Pickle amendment as a violation of the promises that have been made to the American public. Let us make sure that Americans will be able to retire with security and dignity at a reasonable age. Although Congressman PEPPER's amendment will require a small tax increase in the year 2020 should the economy remain weak, it is a compassionate alternative to the Pickle amendment for solving the long-term deficit of social security.

Mr. SHANNON. Mr. Chairman, I yield myself such time as I shall use.

Mr. Chairman, I rise today in strong opposition to the Pickle amendment.

The idea of increasing the retirement age has some superficial appeal.

But I hope today we can strip away the mythology and look at who is affected by such a change.

HARSHTEST IMPACT ON THE MOST VULNERABLE BENEFICIARIES

Increasing the retirement age would be a major benefit cut for America's most vulnerable senior citizens.

The Pickle amendment would end up cutting benefits by 12 to 14 percent compared to current law.

The Pickle amendment is designed to force people to stay in the work force longer—regardless of whether they are able to continue working, and regardless of whether there are any jobs.

This amendment assumes that most people are able to work longer than they do now.

This is not the case.

Survey after survey shows that a great many people, perhaps 2 out of 3, retire—not because they want to—but because of: First, poor health; second, mandatory retirement; third, lack of skills; and fourth, job loss.

According to the National Center for Health Statistics, as many as 30 percent of early retirees retire due to ill health and have no choice in their retirement decision.

Increasing the retirement age for these people would not keep them in the work force longer. It will simply cut their benefits. And what will they be able to do about it? Nothing.

Look at the numbers.

Two-thirds of the savings from the Pickle amendment come from cutting benefits for early retirees—not from workers staying on the job longer.

Instead of spreading the burden of the long-term solution evenly over all social security beneficiaries, the Pickle amendment heaps it onto the backs of those least able to carry it.

Those affected most harshly by the Pickle amendment include low-skilled blue collar workers, minorities, and women.

Low-skilled and manual workers perform more physically demanding work.

If manual and blue collar workers have health problems, they are more likely than other workers to retire early. A lot of these people cannot keep working up to age 67. Do you want to vote to cut retirement benefits for these people who are already hurting? Then vote for the Pickle amendment. But if you agree that these people already have enough problems, vote "no."

This proposal would also hit hard on minorities and women. Minorities would be hurt because they are much more likely to have their ability to work limited by health problems in late middle age. The job market tends to close up on them as they get older. And they often engage in more physically demanding work. Think about it—white or black—would you like to have to keep your job as a heavy laborer until you are 67—just so you can collect a reasonable social security check?

And under the proposal, women would get the same bad deal. Women have a higher incidence of chronic illness than men. Do we want to penalize them for this? If we do, the Pickle amendment is a good way to do it.

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And remember too that these are the very groups least likely to have private pensions. They would not have other sources of retirement income to make up for this cut in their social security benefits.

The more you look into this, the more clearly you see that the Pickle amendment is much more than a benefit cut. It is just plain unfair and inequitable. It hits the most vulnerable beneficiaries the hardest. It says, "We do not care whether you can physically keep working or not, we are just going to slice back on your retirement."

COMPARISON BETWEEN THE COMMITTEE BILL AND THE PICKLE AMENDMENT

There is a much better way to go. It is the committee bill as proposed.

The committee bill reduces benefits across the board for all beneficiaries—regardless of their benefit level or work history, health, or when they plan to retire.

The reduction for people who retire at age 62 will be 5 percent when the bill is fully implemented.

Compare that to the Pickle amendment which would cut age 62 benefits. It would take them from the current level—80 percent of full benefits—to 70 percent of full benefits. When fully implemented, the Pickle amendment will cut benefits by 12 to 14 percent compared to current law.

WRONG MESSAGE TO YOUNGER WORKERS

And the way the Pickle amendment cuts benefits sends the wrong message to younger workers.

If the Pickle amendment is attached to this bill, not only are we saying to younger workers that they must pay more in social security taxes. But we are saying, "We are going to increase your retirement age right after the turn of the century."

"And we are going to increase it again in the 2020's."

The Pickle amendment feeds right into the fears of the millions of young workers who believe they will never see a social security check.

SIMILAR TO REAGAN APPROACH

Finally, Mr. Chairman, the Pickle amendment would cut early retirement benefits in much the same way as proposed by the Reagan administration in May 1981. At that point the President said, let us take back benefits from early retirees.

That was part of what caused the national anxiety over social security to get started in the first place.

And here we have the Pickle proposal, whose effect would be completely consistent with those Reagan proposals.

If the public has spoken in a unified voice on anything over the past few years, they clearly opposed the proposals of the Reagan administration in May of 1981. By the same token, they are saying that the Pickle proposal is not the way to go.

THE SOS COALITION OPPOSES THE PICKLE AMENDMENT

The 140 organizations that make up the Save Our Security coalition—the senior citizen, trade union, women's civil rights, social welfare and religious organizations—are unanimous in their opposition to the Pickle amendment.

Let us listen to them. Let us look at the numbers. Let us think about the millions and millions of workers who cannot keep working, and who now would have to suffer the extra burden of having their benefits slashed.

We have got the opportunity today to put social security back together again. Let us finish the job right. Let us not balance the books on the backs of the working people, on the backs of farmers and miners and maintenance workers and laborers.

I urge you to oppose this amendment.

Mr. PICKLE. Mr. Chairman, will the gentleman yield?

Mr. SHANNON. I am happy to yield.

Mr. PICKLE. I appreciate the gentleman yielding. I am not going to try to impose on the gentleman's time; but the gentleman said that all the aged organizations had recommended being against the Pickle amendment. I know some of them have and we have known that for some time.

I want to tell the gentleman that I have a letter here from the AARP, the American Association of Retired People, which was listed as opposing the Pickle amendment. I want to say that that is incorrect.

The survey they made, they had different questions to ask. One was, "Would you raise the benefit age to 68?"

And 34 percent of the AARP membership said yes.

When it came to cutting all future benefits, only 12 percent said yes to that; and to increase payroll taxes, only 6 percent preferred that; so by about 5 to 1 the AARP membership would prefer raising the age over raising taxes.

Mr. SHANNON. Is the gentleman suggesting that the AARP is supporting the Pickle amendment?

□ 1500

Mr. PICKLE. I would say that they do not oppose it. I do not think the gentleman intended to say that they would oppose the Pickle amendment.

Mr. SHANNON. I do not think the AARP has taken a position in favor of the Pickle amendment. I know they have taken a position against the whole bill, which is a position that I disagree with strongly.

I think this bill is very important. I think we have put it together in the right way. I am afraid that if we adopt the amendment offered by the gentleman from Texas we will be undoing some of the good which we have done. We make no kind of effort to try to deal with this problem of early retirees, so I urge everybody to oppose this amendment.

We are going to be back looking at this problem many times between now and the beginning of the next century. If we are going to talk about raising the retirement age, let us talk about doing it the right way, a way that protects people who are forced into early retirement, and let us not just cut them adrift the way the gentleman from Texas would suggest.

Mr. PICKLE. That is what I have been telling the House: to do it the right, responsible way.

Mr. SHANNON. Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN. The Committee will rise informally to receive a message.

MESSAGE FROM THE PRESIDENT

The SPEAKER resumed the chair.

The SPEAKER. The Chair will receive a message.

A message in writing from the President of the United States was communicated to the House by Mr. Saunders, one of his secretaries.

The SPEAKER. The Committee will resume its sitting.

SOCIAL SECURITY ACT AMENDMENTS OF 1983

The Committee resumed its sitting.

The CHAIRMAN. The Chair recognizes the gentleman from Texas (Mr. PICKLE).

Mr. PICKLE. Mr. Chairman, I yield 3 minutes to the gentleman from Arkansas (Mr. ANTHONY), a very valuable member of our subcommittee.

(Mr. ANTHONY asked and was given permission to revise and extend his remarks.)

Mr. ANTHONY. Mr. Chairman, I support the Pickle amendment to raise the retirement age because I think this is the best approach to put social security on a sound financial basis for the long run. You just cannot keep increasing the tax rate to bail out social security.

Of the solutions facing us for solving the long-term financial problems—increasing taxes, reducing benefits, or raising the retirement age—I think this is the best and fairest choice.

It is important to emphasize that the raising of the retirement age will be phased in in two stages. The first phase, lifting the retirement age to 66 will only affect persons who now are under the age of 46. The second phase which will lift the retirement age to 67 will only affect persons who are now under the age of 29.

To have a balanced approach to solving the long-range financing problems, we need some structural changes. I think the Pickle amendment is a fair structural change because it gives ample notice to workers about the age change, so that workers can take that into consideration when preparing for retirement.

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It is also important to note that between 1940 and 1980, life expectancy at birth has increased by 12 years. Moreover, longevity is predicted to increase even further in the future. Given this general increase in longevity, an increase in the age of full retirement is inevitable.

The Pickle amendment also mandates a study of those occupations that, because of the nature of work, make it difficult, if not impossible, to work to the extended age. The study will look at how disability can be redefined to insure that those workers are treated fairly.

It is also important to note that this action does not affect medicare or SSI eligibility.

Finally, after holding 16 hours of public hearings in the Fourth District of Arkansas this year, holding hearings in 1981, publishing two special reports on this issue, and my most recent constituent questionnaire, I find broad-based support among both younger and older workers for raising the retirement age.

Mr. SHANNON. Mr. Chairman, I yield 3 minutes to the distinguished member of the Committee on Ways and Means, the gentlewoman from Connecticut (Mrs. KENNELLY).

(Mrs. KENNELLY asked and was given permission to revise and extend her remarks.)

Mrs. KENNELLY. Mr. Chairman, I am opposed to the Pickle amendment. I was in committee, and continue to believe it will impact hardest on women, low-skilled workers, and minorities.

Raising the retirement age to 66, and then 67, will reduce benefits most directly for those who retire early. In fact, a worker who retires at age 62 in the year 2022 will suffer a 12-percent reduction in benefits. Many workers, especially women workers, have to retire early. They are in ill health, they are worn out from low-paid dead-end jobs. They may have spent a lifetime on their feet, not a lifetime of sitting down behind a desk.

It is these workers who I think of when I think about increasing the retirement age. I do not believe we are being fair to them, I think this amendment treats them harshly.

There is much talk about the increasing role of women in the government process. Women retire at an earlier age than men—age 62 retirement in 1978—44 percent women and 29 percent men—and receive a lower benefit award in 1979—\$406 for men, \$270 for women. Reducing the benefit level by 12 percent will force more elderly into poverty, and onto welfare. These souls will most likely be women, because women in most cases do not have a private pension to fall back on, and may have few additional resources to make up for the cut we are imposing. Even if a woman had the same resources as a man, it is a fact that women live longer than men. So it is they who are more likely to exhaust their resources

over a lifetime. Finally, we all know that medicare is in deep trouble. Raising the retirement age sets the precedent for reducing medicare benefits by raising the age at which one qualifies for health benefits.

For all of these reasons, I oppose the Pickle amendment.

Mr. PICKLE. Mr. Chairman, I yield 5 minutes to the gentleman from South Carolina (Mr. CAMPBELL).

(Mr. CAMPBELL asked and was given permission to revise and extend his remarks.)

Mr. CAMPBELL. Mr. Chairman, because I believe we must not allow the benefits of those who are dependent on social security to be interrupted, I reluctantly supported the social security reform package when it came out of the Committee on Ways and Means. But I submit to my colleagues that we are still faced with the dilemma of trying to save benefits for those who are retired and we are still faced with the dilemma of trying to assure benefits for those who will one day retire.

We have not yet solved our problem. Unless we resolve this conflict in a way that people at home understand is fair, we will be inviting the skepticism and the anger of the young working men and women of this country who are being called upon to pay a higher and higher share of their paychecks to support the benefits that have increased faster than the wages that they are making.

I want to make that point again: We are asking them to pay more to support benefits that are going up faster than their wages are going up.

Social security is an income transfer program. Recognize it for what it is. The payroll taxes a worker pays today are used for the benefit checks of those who are retired. We used to have 16 workers working for each retiree, and now we have about 3. That is part of the reason that social security taxes have risen from \$347 a year maximum in 1970 to \$2,170 this year, and a projected \$4,600 before the end of this decade—\$347 to \$4,600 in a short period of time. That is an enormous tax increase.

A worker paying into the system over an entire lifetime who retired last year contributed, at the most, \$14,767. That worker will get back everything paid in within 18 months.

□ 1510

Compare that to a young person entering the program today. That person can expect to contribute some \$335,000 at a maximum into the system and I submit that it is questionable that they will ever draw it back. That is what we are faced with. We can ask ourselves, do we really think it is fair? Is it fair to ask this young person to pay an even greater portion of his earnings or her earnings when in fact the per capita income of those over age 65 now exceeds the per capita income of the rest of the population? And those retirees who were 65 in 1980

can expect to enjoy their retirement for 16 more years.

That is good news. I think it is extremely good news that people are living longer. A male born in 1940, when the social security program got underway, had an expected lifespan of 61.1 years; a female had an expected lifespan of 65.6 years. By 1980 that was up to 69.8 years for a male and 77.7 years for a female. Do we know anybody who wants to reverse that trend? I do not. I think we have to recognize it.

By the year 2000, when the Pickle amendment would go into effect, a baby boy can look forward to 72.9 years and a girl, 81.1 years. We do not want to change that.

The Pickle amendment recognizes this happy fact of life and eases the age for full retirement benefits up by 2 months a year for those who are 62 in the year 2000 until it reaches 66 in the year 2009. And then, after another 10 year, it is eased up to 67.

Those who wish to retire early will still be able to do so with only an actuarial reduction. To those who question the ability of citizens over 65 to stay on the job, I say, "Look to the Halls of Congress. Look to the Speaker. Look to Senator THURMOND. Look to Mr. PEPPER." Let them tell me that they cannot do it. Many of them can do it, and many of them do do it. To those who say they are forced out of the work force, I say, "Look at the law." We raised the age to 70 for compulsory retirement, not 65 or 62.

Mr. SHANNON. Mr. Chairman, will the gentleman yield?

Mr. CAMPBELL. No, I will not yield. I would suggest the gentleman use his own time.

Mr. Chairman, I would not support a drastic change for those who have worked half their lives and who are planning for their leisure years. The Pickle amendment is not a drastic change. That is the point. It is a modest change, the concept of which has been recommended by every major study group and which, according to a New York Times poll, had public support by a margin of 5 to 4.

Mr. Chairman, the Pickle amendment is an amendment which addresses the long-term deficit. Let us ask ourselves, though, the crucial question. Is it fair? That is the question we have to look at. This amendment addresses the problem without asking our children and our grandchildren to sacrifice their quality of life for ours. This amendment is fair, and it merits our support.

Mr. SHANNON. I yield 4 minutes to the gentleman from West Virginia (Mr. WISE).

Mr. WISE. Mr. Chairman, I rise in opposition to the Pickle amendment. I do so because I come from the State of West Virginia, which is heavily labor intensive—and in that respect it is no different than most other States represented here today—and a State

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where people make their living with their hands and their backs.

I represent a State that has heavy manufacturing, a large chemical industry, and, of course, above all, mining, coal mining, which is probably one of the most physically demanding jobs in this country.

I cannot go home and tell people that I supported an amendment that says they have got to stretch it out 2 more years, that they have got to go from 65 to 67, or, if they do take early retirement, they will take early retirement at lesser benefit ratio.

How do I tell that to someone who works a mile underground and who lays on his back cutting coal in about 3 feet of space? How do I tell that to somebody who suffers most likely from black lung disease after 15 years' exposure in the mines? How do I tell that to someone who works in the chemical industry where everyday he is encountering dangers we did not know existed 20 years ago? Who knew about asbestosis 20 years ago or 25 years ago?

I have a person on my staff today who just retired from a job; he is 55 years old, and he has asbestosis. He would not be able to continue. Can we let him continue? Should we tell him he has to? These are these who work in heavy physical labor and who work in other manufacturing jobs, those who make their living with their muscles and their backs as well as their minds.

I am fortunate. I am in Congress. I get to wear a necktie. That also means that I do not have the physical strain that many have. We have to appreciate that.

I am also concerned because I do not think we necessarily treat ourselves in the same way we would treat others. Consider, for instance, the congressional retirement system. A Member can, after 20 years, retire from Federal service with full benefits or retire with a high benefit ratio at the age of 60. A Member may retire earlier, at the age of 50 with a reduced scale of benefits.

Mr. PICKLE. Mr. Chairman, will the gentleman yield?

Mr. WISE. I will wait until the conclusion of my remarks, if I may, before yielding.

So why is it good enough for some but not for others?

I attended and held actually seven town meetings, meeting with senior citizens. What they told me was that they would take the COLA deferral and they would take the other benefits, because that is in effect what they are, but we are raising the ante now. I explained to them the short-term package. I said that this will keep us solvent until the year 2010, and then there are some other possibilities. But now we have come back and we have raised the ante, and now we are asking them to do what was unthinkable a year ago, and that is to raise the retirement age.

Mr. Chairman, I ask that the House not send me back to my State and tell them that we broke that bargain and have now raised the ante.

I now yield to the gentleman from Texas (Mr. FORTNEY).

Mr. PICKLE. Mr. Chairman, I thank the gentleman for yielding.

Under the present law a coal miner in West Virginia—or whatever the occupation it was the gentleman had in mind—can retire at age 63. That is provided. My bill makes no difference in that.

The only difference in the slightest would be that under present conditions he would retire at 20 percent of full benefits. Under my amendment it would be 25, a 5-percent difference.

But the more important thing that we ought to remember is this: my bill requires the Secretary to give us a formula and a plan by which we can put into force these occupational disability programs. My bill gives the gentleman what he is wanting. If he takes the committee version, he is going to have a reduction in benefits, we are going to raise taxes, and he will get no relief at all on disability.

Mr. Chairman, it seems to me that if the gentleman wants to protect his State, he should be supporting the Fickle amendment instead of doing just the opposite.

Mr. WISE. Yes, but I am afraid what happened is that that is a little inconsistent with what that committee is coming back with, and I know what social security is doing with disability.

I have one final note. It does concern me that while the longevity has increased and people are living longer—and I am glad to hear it—I do not see them living stronger. What I see is that people who have aged do live longer, but they have the same level or decreasing level of physical ability.

Mr. BURTON of California. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The time of the gentleman from West Virginia (Mr. WISE) has expired.

Mr. SHANNON. Mr. Chairman, I yield 30 additional seconds to the gentleman from West Virginia (Mr. WISE).

Mr. WISE. Mr. Chairman, I yield to the gentleman from California.

Mr. BURTON of California. Mr. Chairman, I would like to associate my remarks with those of the gentleman in the well, the gentleman from West Virginia (Mr. WISE).

His point is unassailably accurate. There can be no doubt in the world that extending the time for which a social security beneficiary can receive full benefits discriminates against those who have had to spend their work lives using physical and manual labor. There can be no doubt about this. There is a rising inequality in this proposal, and it ought to be rejected.

Mr. SHANNON. Mr. Chairman, I yield 4 minutes to the gentleman from Connecticut (Mr. RATCHFORD).

(Mr. RATCHFORD asked and was given permission to revise and extend his remarks.)

Mr. RATCHFORD. Mr. Chairman, for me and for many other Members, this is the critical amendment. In fact, the outcome of the vote on this amendment will determine how I vote on final passage of this bill.

We have heard the debate. There are elements in the proposal that some Members like and some do not like. I do not happen to like taxation of benefits, because of the precedent it sets. I do not like a 6-month delay in cost of living for 25 million American retirees. I do not like including new Federal employees, but that issue has gone by the board.

There are other elements that I do not like but that, unfortunately, appear to be necessary. I do not like accelerating the rate of taxation for employers and employees, and requiring the self-employed to pay more.

But there are proposals, Mr. Chairman, that I simply cannot support, and, regretfully, they are contained in the amendment before us at this time. The long-term changes represent, I think, a breach of faith with the American worker because they represent a combination of a cut in benefits and a requirement that the American workers work longer, work to age 66, work to age 67, or, as an option, face a reduction in benefits.

□ 1520

The Chair knows that I am the former commissioner on aging in the State of Connecticut, and I will tell you, Mr. Chairman, whether it is Connecticut or West Virginia, whether it is Massachusetts or California, what we are saying to many older workers of the future, especially factory workers, is that this Congress is prepared to break faith with the older workers of America.

Let me be specific: Say to an older steelworker, whether it is now or in the year 2008, "Help out the social security system by working for 2 more years," and they will tell you, Mr. Chairman, whether it is in steel or copper or brass or textile or mining or construction or trucking or maritime or, yes, in a high pressured job in many of the offices of America, "We do not know if we are going to live to age 67."

That is not the way to go for any of these older workers in the year 2007 or 2009. We are saying to them, "We are going to shorten your life or reduce your benefits," and there are no choice options.

Mr. Chairman, there is another option. It will be presented by my good friend, the gentleman from Florida. He speaks for the older worker. He expresses the concern for those who will be older workers in the next century, and they say to us, as a Congress, "As the Representatives of the

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people, do not break faith with the older worker."

For a small increase in taxes, for a minor adjustment in the rate schedule, we can keep faith with the older worker. We can allow them to retire with decency and dignity. We can do so without cutting their benefits.

As respectful as I am for the gentleman from Texas for the tough but very compassionate job he has done, I would say, in this instance, his amendment goes too far.

Before we vote to take away benefits, before we vote especially to require factory workers or construction workers to work longer, let us remember those workers and not go back to them and say, "I am sorry, but I broke faith with the American work force."

Reject this amendment. Support the Pepper amendment. It is a better amendment. It is an amendment with compassion, commitment, and concern that keeps faith with the workers of America.

Mr. PICKLE. Mr. Chairman, I yield 3 minutes to the gentleman from Ohio (Mr. GRADISON), and I want to pay my respects to him for the valuable work he has done on the Social Security Subcommittee.

(Mr. GRADISON asked and was given permission to revise and extend his remarks.)

Mr. CLINGER. Mr. Chairman, will the gentleman yield?

Mr. GRADISON. I yield to the gentleman from Pennsylvania.

(Mr. CLINGER asked and was given permission to revise and extend his remarks.)

Mr. CLINGER. Mr. Chairman, today Congress is faced with the monumental task of effecting a solution to the years of neglect visited upon the social security system. I rise in reluctant support of this package as the only alternative we have for protecting the retirement security of the elderly.

Because of our inaction and partisan political bickering that seems to have dominated this debate, we are faced with a crisis situation that has forced us to make some distasteful choices which could have been avoided. America's retired workers deserve more consideration than this hastily put together hodge-podge of proposals before us today.

This bill will require some sacrifice by virtually everyone, however, optimistically speaking, it will guarantee the system's solvency for at least 75 years and initiates some long overdue changes in the health insurance system on the provider level. That is why I support the Pickle amendment as the fairest way to achieve that guarantee. I do have one strong reservation about this package and that is the coverage of new Federal employees by social security. In this matter we would be well-advised to refrain from tampering with their retirement system. The civil service retirement system is a healthily functioning pension system in its own right and I fear

that restructuring it will, in the long run, cause problems for the social security system as well. I am not convinced that the gradual merger of the two systems will provide much more than a quick infusion of funds into the system, moreover, we must not continue to insist that Federal workers bear the brunt of our inability to enact reform.

But, under the rule we do not have the option of considering better alternatives and so I will support this bill.

Mr. GRADISON. Mr. Chairman, there is great concern in this House about the proper balance between increasing taxes and benefit adjustments as a means of putting social security back on the track. The short-term package covering the balance of this decade is heavily tilted toward higher taxes. And I believe the public will accept this. I am convinced the public is willing to pay higher social security taxes to save the system. But that willingness to pay higher taxes is not without limit. Relying on increased taxes to solve the long-term problem is bad economics and bad politics. It will hurt, not help, social security. It will weaken, not strengthen, public support for the system.

Let us look at the worst case scenario: Under the Pickle amendment, in January, in the year 2027, a worker retiring at age 67 will receive 14 percent less in benefits than provided under present law. This will apply only—and let me stress this—only to workers now age 23 or younger.

I do not know what other Members are hearing, but what I hear convinces me that the younger workers would far prefer to accept an 86-percent benefit than have the privilege of paying higher taxes during most of their working years, as the Pepper amendment provides.

Outside of Washington-based lobbyists, I find little opposition to the Pickle amendment. Is age 67 a reasonable age for full benefits in 2027? It actually could be justified today.

For example, males who became age 65 in 1940 had an average life expectancy of about 12 years. Today it is about 14½ years, an increase of 2½ years since the first workers retired under social security. And much the same point could be made about the life expectancy of women.

At bottom, the issue is whether the benefits under present law can ever be modified. They can, and they have, and the sky has not fallen in.

Over the last 2 years, the death benefit, minimum benefit and student benefit have been limited or phased out by action of this Congress. The agreed upon portion of the bill before us delays the July 1 cost-of-living adjustment until January 1, at a loss to beneficiaries of \$40 billion over the balance of this decade and far more in later years.

The age adjustment recommended by the gentleman from Texas (Mr. PICKLE) deserves our support. It

strikes a fair balance between present workers who pay for social security and former workers who receive the benefits. And it gives ample advance warning of the new ground rules to younger workers.

Mr. Chairman, I urge my colleagues to support the Pickle amendment.

Mr. SHANNON. Mr. Chairman, I yield 3 minutes to the gentleman from Wisconsin (Mr. OBEY).

Mr. OBEY. Mr. Chairman, I admire the gentleman from Texas. He is doing what he thinks is the right thing, and I do not think anybody can argue with that around here. I admire that in any person. He thinks it is necessary to cut early retirement benefits and to raise the retirement age in order to keep the social security system sound on a long-term basis.

I suspect, frankly, that we will probably need both the Pepper amendment and probably also, in the long term, some increase in the age limit in order to keep the social security system sound on a long-term basis, because my hunch is that the revenue gap in this bill is probably understated, long term. And I even would say that if the Pickle amendment were confined only to raising the age limit by a year or so, I would probably vote for it, as well as the Pepper amendment. But the problem is that the gentleman from Texas gets a very large share of those revenue-gap savings in his amendment by reducing below the present law benefits that people would receive in early retirement.

Now, I do not want slackers to retire early and live off the contributions of other people into the system. But I would say, as have many other Members on the floor today, that if you are a steelworker, if you are working at a coke oven, if you are a foundry worker, I really doubt very seriously you are going to last those extra 2 years. It is true that there is an increase in longevity, but I know of no reliable studies that indicate that worker health years have extended commensurately with that increase in longevity.

So it seems to me that if we are going to study the impact of the increased retirement age on hard labor workers, we ought to do it before we lock into the system a higher retirement age and not afterward, as the Pickle amendment would do.

One of the previous speakers said, "Look, we have Members in this House who are over 65 years, and they are still in great shape." That is fine. I hope I am in good enough shape to be here when I am over 65. But I will tell you something: If I had worked on a wet machine in a papermill for 25 years, as I did for a year and half when I was going to college, I doubt very seriously I would be in shape to continue to work until 67 and, very frankly, given the pressures on us in this job, I do not think we are going to, either, 15 years from now.

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So I would simply urge the Members to support the Pepper amendment and to withhold support for the idea of raising the retirement age at this time until it is fixed up so that at least if you are going to do it, it is done cleanly, without reducing the benefits for people who have to retire early, and until you have done those studies to demonstrate what, in fact, the real impact will be on workers who are having a difficult time now making it to age 65.

Mr. PICKLE. Mr. Chairman, I yield 3 1/2 minutes to the gentleman from Hawaii (Mr. HEPTEL), who served very valuably as a member of our subcommittee previously.

(Mr. HEPTEL of Hawaii asked and was given permission to revise and extend his remarks.)

Mr. HEPTEL of Hawaii. Mr. Speaker, I think we all know that America, through the social security system, has clearly told all of the people that we care about the elderly. But notwithstanding that great care for the elderly, we have certain problems in the system, problems which were born of promises upon which the system could not deliver, well meaning political promises which exceeded the ability of the system to meet its obligations to its beneficiaries.

The first problem, obviously, is fiscal. The second problem of great concern to me is credibility, particularly credibility among our people under the age of 40, who say, "We are paying into the system, we do not believe we will necessarily have the system to take care of us in our retirement years."

□ 1530

They believe that they are being given political rhetoric instead of real facts and a sound system that they can depend upon. One of the things we can do today is offer the people under 40 a creditable long-term solution for the social security system. Those over 45 are not affected by this legislation.

As the gentleman from Wisconsin (Mr. OSBY) very accurately pointed out, these are optimistic projections. If they fall short, as those of the past have, the people under 40 will have to raise taxes just to meet this commitment to the age of 67 by the year 2027.

And people who are now retired also understand the problem. I would like to read a letter to the Speaker of the House of Representatives from the American Association of Retired Persons. It reads as follows:

AMERICAN ASSOCIATION OF
RETIRED PERSONS,
Washington, D.C., March 9, 1983

Hon. THOMAS P. O'NEILL, Jr.,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN O'NEILL: On March 8, a letter was transmitted to you from the Leadership Council of Aging Organizations expressing the Council's opposition to Congressman Pickle's Amendment. This amendment proposes to raise the age for full social

security benefits from the current age of 65 to age 67 on a phased-in basis beginning in the year 2000.

Because of the critical nature of the social security issue for both current and future beneficiaries, the American Association of Retired Persons believes that it is essential we clarify our position. AARP's name should be removed from the Leadership Council's communication, as it does not accurately reflect our stance.

Thank you for allowing us to clarify any misunderstanding.

PETER W. HUGHES,
Legislative Counsel.

We must not continue playing politics with the Social Security system. We must rebuild the faith of the people in the system.

We can do that for Americans under 45 by voting for the Pickle amendment.

Thank you, Mr. Speaker.

Mr. SHANNON. Mr. Chairman, I now yield 2 1/2 minutes to the distinguished gentlewoman from California (Mrs. BOXER).

Mrs. BOXER. Mr. Chairman, I rise to oppose the Pickle amendment, which will mean an unfair and major cutback in social security protection. This cut will affect a large percentage of workers who wish to retire with their full benefits before age 67, workers who need to retire before 67, workers who deserve to retire before 67.

Just like blue-collar workers, women particularly will be severely hurt by this amendment. Many more women retire before age 65 now, and small wonder, given the low pay and long hours that unfortunately accompany most jobs held by women.

The Pickle amendment asks these women to either continue working and suffer the consequences of ill health resulting from long hours of work at an advanced age or take a 13-percent reduction in their benefits for the rest of their lives. The women of this country deserve better than that in their old age.

Mr. Chairman, let us not turn our children against their grandmothers. If our grandmothers work until age 67 they are taking jobs away from the younger generation. They do not want to be forced to do that.

The Pickle amendment means taking the whole long-term social security solution out on those who can least afford it. We can give bonuses to those who want to wait until 67 to retire, but we should not force it.

Let us not turn generation against generation. Let us not say that because some of us live longer we should force many of us to wait longer to enjoy that longer life.

This is a very critical vote and I urge a "no" vote.

Mr. PICKLE. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois (Mr. PORTER).

Mr. PORTER. Mr. Chairman, in 1977, the Congress compromised and passed what was touted as the "final solution" to the long- and short-term funding crisis then facing the social se-

curity system. As we now know, the 1977 amendments "fixed" the system for only 9 years.

Unfortunately, the compromise now before us may not last even that long. Increasing taxes, including Federal employees, and taxing benefits is no answer to the social security crisis. Social security taxes are already too high and even now increase labor costs to a point that employment is being discouraged. Including Federal workers, whose pension system is fiscally sound, under the social security system is a disservice to them and could bankrupt the Federal retirement system as well. In addition, this proposal calls for taxing the benefits of people who have worked long and hard in the belief that benefits would be tax-free. How can the Government break that trust with the American people?

The really sad part is that, with all this damage, this so-called solution will probably only get the social security system past the 1984 campaign as an issue and will be right back into crisis in 1985 when the Congress will sell the American people another spineless "final solution" to the continuing social security crisis.

If there is a ray of hope in this otherwise unacceptable package, it is provided by my distinguished colleague from Texas. At the heart of the long-term financing problem facing the system and the attendant politics that intrudes itself into its solution is the pay-as-you-go financing scheme adopted by the Congress in 1939. Sometime soon we are going to have to do something to correct that and make social security a vested program of individual retirement accounts free from the political winds. In any case, the problems will be magnified over the next 25 years, when fewer active workers will be paying taxes to support more and more retirees. Currently, 2.3 workers pay taxes to support 1 beneficiary. After the post-World War II "baby boom" generation retires, the ratio will decline to 2 to 1.

Not only will there be fewer workers to support the retirees; the retirees can be expected to enjoy much longer lives. In 1940, males were expected to live to 61, females to 66. Today, males can expect to live to 69 and females to 77. In the year 2000, expectations for males and females will be 72 and 81. Up to now, the Congress has been unwilling to recognize these facts and have the courage to take the only logical step needed to address long-term insolvency and to avoid the economic rigidity that excessive social security taxes entails.

But today we have an opportunity to address this issue, and it my hope that my colleagues will join me in support of the Pickle amendment. Although I could not support quickly or precipitously increasing the retirement age, I believe that the Pickle amendment's gradual and prospective increase in

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the retirement age is equitable to future retirees by accounting for their increased life expectancy and the clear trend for Americans to be productive longer. I commend my colleague from Texas for his genuine and honest efforts to repair social security logically and fairly for all Americans.

Mr. SHANNON. Mr. Chairman, may I inquire of the Chair as to how much time I have remaining?

The CHAIRMAN. The gentleman from Massachusetts (Mr. SHANNON) has 34 minutes remaining, and the gentleman from Texas (Mr. PICKLE) has 28½ minutes remaining.

Mr. SHANNON. Mr. Chairman, I yield 6½ minutes to the distinguished member of the Ways and Means Committee, the gentleman from Georgia (Mr. FOWLER).

□ 1540

Mr. FOWLER. I thank the Chairman.

Let me say at the outset that I support the bill as proposed by the Committee on Ways and Means, on which I serve.

I want to say to the gentleman from Texas (Mr. PICKLE) my subcommittee chairman, that were it not for his personal persuasiveness, his ability to negotiate from principle, and his dedication to a sound and solvent social security system, I do not believe this bill would be on the floor. He is to be commended for his leadership. I want to tell him that as one American I am thankful for that leadership over many, many months now.

I had signed a letter in support of the amendment offered by the gentleman from Texas (Mr. PICKLE), which I hope will show that I have no academic problem or opposition to supporting an increase in the retirement age. But upon close scrutiny of the amendment, I have found that it bothers me and I think should bother all of us, if we adopt a national policy that would penalize those people who are physically incapable of working past age 62.

Under the present law as we all know, if a worker retires at age 62, he or she receives 80 percent of their benefits. If the Pickle amendment is adopted, in the year 2006, there will be a reduction from 80 percent to 75 percent down to 70 percent in year 2027 on a sliding scale for those who choose to exercise the option of early retirement.

I do not know what the correlation is between living longer and the ability to work longer. I suspect with all the studies that we have had there is no definitive answer.

But I also suspect that as our society moves away from an industrial base and more and more toward the long-heralded information-computer society, that there will be less and less political support for those people who have worked with their hands and their backs and for whom any retirement age is a race against time to

achieve any reward short of their celestial one.

There is a third alternative to the Pickle or Pepper amendments and that is the committee's proposal. We have a slight revenue surplus in this bill. We have a mixture of benefit points to taxation which I believe to be fair and that is why I support our proposal.

And I would urge, based on fairness, solvency, and integrity of the social security system, that we reject both the Pickle amendment and the Pepper amendment and support the bill as crafted by the Subcommittee on Social Security and by the full Committee on Ways and Means.

Mr. PICKLE. Would the gentleman yield?

Mr. FOWLER. I would be happy to yield to the gentleman, Mr. Chairman.

Mr. PICKLE. I appreciate the gentleman's concern. As I told him in advance of the presentation of this amendment when I talked to him personally we have put a proviso in there in an attempt to say to the Secretary we want him to give us a definition of occupation disability so that those people who cannot take advantage of longevity can indeed have some protection if they retire at an early age, perhaps even as early as 60.

We do not take away any options they may have today under present law. What we are doing is not reducing benefits nearly so much as the chart has been shown. We are trying to protect the very people that the gentleman indicated he wants protected. He has a valid concern. That is why we put the amendment in this bill.

Now, under the committee bill that he has recommended or pointed out, there is no help for him in that area. It is a reduction of 5 percent in benefits, it is a tax raising of 0.24. You are not only raising taxes, you are cutting benefits 5 percent and that is the same amount that my amendment would do if they retired, with age 66, at the early age of 62, so actually you are better off under my approach, which recognizes the need to act in this area.

Mr. FOWLER. I say to my subcommittee chairman in responses to his comments, under present law, if you retire at age 62 you get 80 percent of benefits. Under the Pickle amendment after the year 2006 you would eventually drop down to 70 percent of benefits. I say to you that a study of what we should do for those people who fall from 80 percent to 70 percent, for whatever reason and for whatever category, is just that, a study.

Mr. PICKLE. If the gentleman would yield further, keep in mind, Mr. FOWLER, we only reduce 5 percent at age 66, that is all. That is little different from what the committee bill does; that is, the committee version does in the reduction of their benefits.

Mr. FOWLER. Will the gentleman give me a couple of minutes here if we keep this going?

Mr. PICKLE. I wish I had time.

Mr. FOWLER. I want to make part of the Record excerpt from the report of the Select Committee on Aging on early retirement, "Why Men Retire at Age 62," whose conclusions are, among many, "The incidence of permanent withdrawal before age 62 was greater among blacks than whites." We do not address that in our bill. "A large portion of very elderly withdrawees before age 62 lack adequate income. Labor force separation was involuntary for the large majority. The health of most very elderly withdrawees was not good and a large proportion died within a few years of withdrawal."

Until we can answer the question of how we deal with the least of these our brethren who are forced to retire because of health at age 62, I say we should await this mandated study before we answer the great charge of when we allow Americans to retire without penalty under our Nation's social security system.

I thank the gentleman from Massachusetts and my chairman.

Mr. PICKLE. Mr. Chairman, I yield 2 minutes to the gentleman from Georgia (Mr. JENKINS).

(Mr. JENKINS asked and was given permission to revise and extend his remarks.)

Mr. JENKINS. Mr. Chairman, I rise in support of the Pickle amendment. As I listen to the debate, the very people who are so concerned about the possibility of raising the retirement age to 66, some 30 years down the road, have no compunction whatsoever in imposing upon those workers 25 years from now a rather substantial increase in taxes.

Now, let me say this to my colleagues: How much of a tax increase are we talking about? How much of a tax bite are we willing to vote on the young people today who will be working 25 years from now? Let us take a self-employed person: Under the Pepper amendment, the tax will go to over 16 percent, one-sixth of total payroll. If you are earning \$36,000 a year, you will be paying \$6,000 per year under social security, in addition to your income tax.

Mr. PICKLE. Did I understand those figures correctly? What figure did you say?

Mr. JENKINS. One-sixth or 16 percent.

Mr. PICKLE. How much would an individual be paying more?

Mr. JENKINS. If you earned \$36,000 you would be paying \$6,000 per year.

□ 1550

If you are earning \$30,000 per year, you are willing to vote today to say those people 25 years from now will be paying at least \$5,000 per year before they even pay any income tax. While people are very willing to stand up and say I shall never vote to increase the retirement age to 66 even though it does not bother people in the work

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force today, you have no hesitation whatsoever to impose upon that generation 25 years from now a tremendous taxload.

I urge my colleagues to support the Pickle amendment.

Mr. SHANNON. Mr. Chairman, I yield 3 minutes to the gentleman from California (Mr. ROYBAL), the chairman of the Committee on Aging.

Mr. ROYBAL. Mr. Chairman, I think that one must point out the fact that the Pickle amendment is not part of the compromise that was presented to the Congress of the United States. But if adopted by the Congress, the entire burden of solving the predicted long-range financing problems will be heaped on the old and the infirm, the least able to support themselves. Those beneficiaries are already paying a heavy price due to the delay in the COLA which affects present and future beneficiaries. The taxation of benefits will affect up to half of all beneficiaries by the end of this century, simply because taxation thresholds are not indexed.

The Pickle amendment would add another real cut which would affect all people 45 years of age and under. People who have been in the work force paying taxes for 25 or more years will be told that they will have to choose between delaying their retirement and receiving fewer benefits.

I believe that the true position of those 45 years of age and under was clearly articulated before the Select Committee on Aging just yesterday. We were told by younger people of their personal hardship. When they were in their twenties they were able to get up with great vigor and go work in the fields, in the factories, or in the shipyards of this Nation. They did admit that it got a little bit harder when they were in their thirties, still harder when in their forties, and hardest of all in their fifties at a time when they were starting to think about retirement. Yes, they told the committee, it is very difficult to get up in the morning and work in those menial hard jobs. Why, they ask, does the Congress want to increase our retirement age?

What they said to the committee and to this House is very clear. We do not believe they said that Congress has the right to sentence millions of Americans to 2 more years of hard labor. That is exactly what we are doing if we pass the Pickle amendment. We are telling millions of Americans the cream of our working force, not professional white-collar workers, not professors in our universities, but the vast majority of our work force who labor in our factories, mines, farms, and sweatshops, that they will be forced to wait 2 more years before retirement.

For those who are able to delay retirement for just 1 year this represents a 7-percent cut in lifetime benefits on the average. But it is a cut for women and a much greater cut for lower

income groups and minorities due to shorter life expectancy.

If social security retirement is delayed, private pensions—which provide income to only 28 percent of male retirees and to only about 20 percent of older women—could be expected to follow suit. The result would be that great groups of older people who are unable to work would be deprived of both social security and private pensions.

Mr. Chairman, we have a superior alternative to be considered later. This alternative, to be offered by the gentleman from Florida, would solve the longrun funding problems without need to cut benefits.

Arguments in support and opposition to all of the options were presented at a hearing of the Select Committee on Aging, which I chaired yesterday. Witnesses from Congress, aging organizations, labor, and women's groups argued in favor of the Pepper amendment because:

It does not cut benefits for current workers who are our future retirees. One-third of the elderly hover near or below the poverty line. If future benefits are reduced, tomorrow's elderly will be even worse off than today's;

It does not unnecessarily burden minorities, women, and those who must retire early because of health problems or employment difficulties;

And, it does not disrupt the basic compact between the Government and the people.

The Pepper amendment is clearly the best alternative we will be presented with today. The others represent significant cuts in benefits which work severe hardships on retirees.

Raising the age of eligibility for benefits, as proposed by the gentleman from Texas, would result in reduced benefits for the three-fourths of the population who retire before age 67. Workers with low income, minorities, women, and those in physically demanding jobs would be devastated by this proposal.

Again, I urge you to vote against the Pickle amendment and to vote for the Pepper amendment. Only the Pepper amendment will restore faith in social security and will bolster the American public's trust in their Government.

Mr. PICKLE. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. MATSUI), who has been an excellent member of our subcommittee.

Mr. MATSUI. Mr. Chairman, I would like to speak in very strong support of the Pickle amendment. To some extent the debate we are engaging in at this particular time is irrelevant since what occurs will not happen until the year 2000 and beyond.

But I would like to present a few arguments why I think the Pickle amendment is the way to go rather than the committee version or the version that will be coming up for an amendment shortly.

First of all, the work force will only be two employees for every retired individual as we get into the year 2000 and beyond. We will probably need more individuals in the work force as a result of that and we can use those able-bodied senior citizens who will remain in the work force if we increase that age of retirement.

Second, as the gentleman from Georgia (Mr. FOWLER) said, we are moving away from a heavy industry base to a high technology-service economy. And that being the case, more people will be able to stay in the work force longer, more people will be able to work longer and enjoy their senior years as working productive citizens of our country.

Third, I think most people are mistaken in the debate on this issue. There are many senior citizens who are obviously very concerned about increasing the age of retirement. But we might just point out to them that they are not going to be affected by this debate. The debate will be among those individuals 45 years and younger, that is, those in the work force today and people like my son, who is about 10 years old. That is where the debate actually is.

And I do not think that we should put a burden upon the children of the future by the so-called Pepper amendment which will cost 8 percent or more of payroll if that is adopted. I think we should stand up and say that we in this generation are going to be willing to suffer the burdens of social security rather than passing that on to the young people of today.

Mr. SHANNON. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota (Mr. OBERSTAR).

(Mr. OBERSTAR asked and was given permission to revise and extend his remarks.)

Mr. OBERSTAR. Mr. Chairman, make no mistake about it, a vote for the age 66, 67 retirement is a benefit cut. It is a vote to cut benefits for those workers. That is plain and simple what it is.

Ask the widow at age 60 if she can live on \$300 a month. Ask a worker at age 62 if he can live on \$375 a month, or \$350 a month. It cannot be done. Ask any worker who is in the work force now how much longer he or she wants to work. Oh, yes, this is a good deal if you have a job that is indoor work and no heavy lifting. It is all right if you have a comfortable job that uses perhaps a little brain power but does not debilitate your body.

Ask my father. Twenty-six years in an underground iron ore mine, 14 years in the open pit. Standing out on the ore dumps in 35 below zero weather, jacking track, ask him how much longer he wanted to work.

I asked him that years ago. I said: "Dad, you are 62, you are at a point where you do not have to worry about layoffs, with your seniority you are

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working day shift steady now. Why do you want to retire?"

He said: "I am not going to stand out here and freeze my — off in this winter weather for another 3 years until I am age 65." He would not want to work another 5 years at that age either.

And neither do the people who are in the work force now at age 45 doing lousy routine work on an assembly line, day after day. It is debilitating.

Use a little commonsense. We do not need to do this injustice to people who are in the work force today to make them work all those years longer. Actually what will happen is thousands of people will die before they ever get to enjoy their retirement at age 66 or 67. This amendment is not going to save social security; it will be an injustice to millions of workers who will be forced, unnecessarily, to spend additional years in the work force.

I urge a no vote.

Mr. PICKLE. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio (Mr. OXLEY).

(Mr. OXLEY asked and was given permission to revise and extend his remarks.)

Mr. OXLEY. Mr. Chairman, my hat is off to the gentleman from Texas. I think this is clearly our only opportunity in this Congress and perhaps for many, many Congresses to come to make a long-term solution to the social security shortfall.

This is the opportunity that many of us have been waiting for for a long time and I certainly hope we do not have a replay of 1977, when so many people followed the actions of the Congress, when the promises were made that we solved the problem well into the 21st century, and yet we are here about 6 years later debating again the problem of social security funding.

□ 1600

I support generally the bill that came out of the committee, but the long-term solution is before us and basically it is a choice of two things. Do we want to continue on the path of tax and tax and spend and spend in social security, or do we want to make a legitimate reform in the system?

Currently, Mr. Chairman, 25 percent of the people in this country are paying more in social security taxes than they are paying in income taxes. I do not think I have to remind anybody about how regressive the social security tax system is. The same people who would ask for more social security taxes in many cases are the same people who oppose regressive taxation; yet that is what we are faced with today, the Pepper alternative.

Mr. Chairman, I am not so sure what the magic age of 65 was or why it was chosen by the Congress back then. Perhaps it was in response to the Bismarck Social Security Plan in Germany. We do not know; but the fact is

there was not necessarily anything magic about that age 65.

We have to recognize times have changed, that people are living longer, they are more productive; so I ask that this statesmanlike approach by the gentleman from Texas be approved.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. PICKLE. Mr. Chairman, I yield 30 additional seconds to the gentleman from Ohio (Mr. OXLEY).

Mr. OXLEY. Mr. Chairman, there was a song back in the 1960's known as "Ball of Confusion", and the lyrics said, "Politicians say more taxes will solve everything * * * and the band played on."

Mr. Chairman, I think we have learned from our past mistakes. Let us support the Pickle amendment and make a long-term change in the social security structure.

Mr. SHANNON. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania (Mr. HARRISON).

(Mr. HARRISON asked and was given permission to revise and extend his remarks.)

Mr. HARRISON. Mr. Chairman, the arguments for and against this amendment have been well and concisely stated, before the social security commission, in the Ways and Means Committee and here on the floor, by knowledgeable and dedicated Members of this House. But, for me, the most persuasive argument was voiced, unknowingly, by a lady I met during my campaign. It was in a dress factory in Mount Carmel, Pa.

She was an attractive lady, with silvery hair and a cheerful disposition. She told me how much she was looking forward to retiring the following year when she would become 62.

Since she did not look her age and seemed to be in good health; I asked her why she was so eager to retire. She replied that 44 years was enough. She told me that she had come to work in that very factory immediately after graduating from high school at the age of 18. And every year since then, week in and week out, she had worked in the same location, on the same floor of the same factory; 44 years was enough, and she was prepared to accept lower benefits to put an end to the daily monotony that her life had become.

Mr. Chairman, if 44 years is enough, 47 years certainly is. That is the total working life of someone who begins at 18 and labors until they are entitled to retire at 65.

I cannot say to the working men and women of this country, under the age of 40, that for them 47 years is not enough and that they must work for 48, or 49, before they are entitled to retire on the benefits they have earned.

The working men and women of this country, at least since this Government began to recognize its social responsibilities 50 years ago, have labored with certain expectations.

Among the expectations to which they have become accustomed, if not entitled, are reasonable working hours, a fair wage, safe working conditions, equal employment opportunity and the justifiable belief that, when the time comes, whether because of physical infirmity, economic recession, or the simple desire to enjoy a well-earned rest, the means will be available for them to leave work at a reasonable age and still enjoy a decent standard of living.

I think that this amendment violates their trust that after long years of work, they will finally be rewarded, however modestly, by a system into which they have been paying, in most instances for their entire working lives, at a time when their minds and bodies tell them it is time to step down.

The proponents of this measure say that the impact of this provision will not take effect for many years, that between now and the year 2000, medical science will assure us of longer and healthier lives, and that there is nothing, therefore, magic about the age of 65. They may well be right, and I sincerely hope that they are. I hope by then that we have conquered heart disease, the scourge of cancer, and the needless debilitations caused by occupational hazards and diseases.

If so, and I look forward to that time, an amendment such as this might deserve serious consideration when a major overhaul of the social security system again comes before this body—in another 75 years.

But until then, I believe that we must look to the future in a manner that is tempered by the realities of the present. Well-meaning promises and overly optimistic projections of future developments have a way of unraveling, as any serious observer of this administration's supply-side economic theories would quickly acknowledge.

The proponents of this amendment point out that workers will, of course, retain the option of retiring at age 62, with reduced benefits. They try to downplay the fact that reduced benefits received by early retirees would be even smaller under the provisions of the Pickle amendment than they are under the terms of the bill reported out of committee. It would be difficult, if not impossible, for all but the higher income members of the work force to exercise this so-called option, and those most in need of the benefits of the system would be economically unable to enjoy its benefits.

If it is our desire to keep men and women in the work force longer, and paying into the system longer, then we ought to accomplish this by enticing them through incentives such as increased payments to later retirees, rather than by moving the retirement age ahead, a little bit now, perhaps more later, and who knows how far ahead the next time we perceive problems in the system.

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Mr. Chairman, I have listened carefully to the words of this debate and I have tried to weigh the arguments for and against this bill. I say to the House that I—and I suspect that I am one of many—want to find a way to support this bipartisan compromise, which is the product of so much effort by so many able and distinguished public servants.

But I must say, Mr. Chairman, that if this amendment passes—and if it is not superseded by the one which follows it—it will become extremely difficult for me to support the bill.

Mr. PICKLE. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. STARK).

(Mr. STARK asked and was given permission to revise and extend his remarks.)

Mr. STARK. Mr. Chairman, I rise in support of the Pickle amendment knowing full well that people may say this is a benefit cut. I promised not to cut benefits and this amendment is not a benefit cut for those over 40 years old.

You might say it is a benefit cut for my children but I can look my son in the eye and say, "It is a benefit cut from what you may have received. But the benefit gains that this same Government has given you, will outweigh the future changes. You, my son, will not have the same onerous work conditions that the gentleman from Minnesota's father had in that mine because of new work rules and because of OSHA.

"We paid for that with Federal money and your work will be safer and you will live longer because the gentleman from California, Mr. WAXMAN, who heads the Subcommittee on Health has done so much to make health better in this country you will have a healthier work life, and we paid for that benefit with Federal money.

"So while we may ask you to work for an extra year or two under better conditions, our whole society will have a better retirement, because with Federal money we have created housing and many other benefits for senior citizens."

I do not think that you can talk about benefit cuts without talking about the many benefit gains that we have voted. Year after year we have had deficit spending to provide for our young people. I think we can ask everyone to understand the need to raise the normal retirement age.

I feel that this body in supporting the Pickle amendment keeps faith with the senior citizens who will not be asked to retire any earlier. For those younger who are enjoying the benefits that this body has provided in the way of outstanding programs, I can state I have kept faith with you as well.

This is a very small step back, but we have balanced that with great advances in so many other areas. I therefore ask your support.

The major problem facing social security in the next century is not economic and it is not the overall size of the program, which will remain fairly stable as a portion of GNP. Mr. Chairman, the major problems facing social security in the next century are demographic, and I believe that calls for a demographic solution.

I am not alone in thinking that we need to gradually raise the age of retirement in the next century. Both the (former) National Commission on Social Security and the President's Commission on Pension Policy recommended increases in the retirement age for social security. Likewise, a majority of the National Commission on Social Security Reform recommended alleviating the long-term fiscal problem by gradually increasing the age of retirement.

Specifically, I support the Pickle amendment for a number of reasons:

First, as I have said this proposal represents a demographic solution to a demographic problem.

Currently, 3.2 workers support each beneficiary. Once the baby boom generation retires, the best estimate is that there will be only two workers to support each beneficiary. If those projections are modified to reflect continuation of current birth rates, as has been done by the Census Bureau, even fewer workers than expected will actually be supporting each beneficiary. This means that younger generations will be expected to pay significantly higher taxes to support the system in the 21st century. A gradual increase in the normal retirement age will certainly lessen the need to place a heavier burden on workers.

I might add that if there is a change in demographics—if families start to get larger, if families return to having children at a younger age—then some Congress in the 21st century will have the opportunity to reassess the situation and keep the retirement age at 66 or 65.

Second, the ability of senior citizens to continue working has increased and will continue to do so. I recognize that the demands of certain occupations may continue to make earlier retirement both desirable and necessary in some cases. The disability benefits program can be improved to provide cash benefits and medicare to those between age 62 and the higher normal retirement age who, for reasons of health, are unable to continue working. However, those turning 65 in the 21st century will live longer and will be potentially far more productive than those currently turning 65. Therefore, raising the retirement age to 66 by the year 2009 and to age 67 by the year 2027 should not prove a hardship.

Third, older workers will be in greater demand in the future. It is significant that attitudes toward senior citizens in the workplace have changed. A recent survey of pension plan sponsors conducted by CIGNA Corp., and the

Employee Benefit Research Institute revealed that most plan sponsors support older workers staying active longer. As a result the older worker will find a positive response to his or her participation in the work force.

Fourth, even with eligibility shifted to age 67 in the year 2027, it is estimated that the average retired person would enjoy benefits for a longer period than did his or her parents or grandparents. Thus we are in no way shortchanging beneficiaries by raising the normal retirement age.

Lastly, I support the Pickle amendment because it calls for a realistic program to phase in an increase in the normal retirement age. This proposal gives workers a minimum of 36 years to adjust their retirement plan, when we will begin the phase-in in the year 2000.

Mr. Chairman, I would like to make one other observation as a Representative from a State which has been swept with the fever of a tax revolt and tax limitation movement. So far, there are very few complaints about social security taxes and the burden that they place on younger workers. But I do think that there is a breaking point at which we could provide fertile ground for some future Howard Jarvis in his twenties or thirties to argue that the taxes are too high that two workers to support one retiree is too much, and that we should break this social compact. I do not know where that breaking point is, but I think we should be willing to leave to some future Congress the decision to tax themselves in order to maintain the age 65 benefit point. We should prepare our children for the possibility of change—for a higher retirement point—then if our children want to retire at 65, they can choose to tax themselves to maintain that position.

In closing, Mr. Chairman, this amendment will solve the long-term funding problem without reducing benefits or placing further burdens on the working population. I hope my colleagues will see the merits of this proposal and realize we must solve demographic problems with demographic solutions.

Mr. SHANNON. Mr. Chairman, I yield 3 minutes to the distinguished chairman of the Subcommittee on Health and the Environment of the Committee on Energy and Commerce, the gentleman from California (Mr. WAXMAN).

(Mr. WAXMAN asked and was given permission to revise and extend his remarks.)

Mr. WAXMAN. Mr. Chairman, I found the comments by my colleague, the gentleman from California (Mr. STARK) surprising. If this is the basis upon which we would support the Pickle amendment, I think we ought to give it close scrutiny, because the gentleman seems to be suggesting that the Congress through all sorts of welfare safety laws, we have guaranteed

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that people are going to have a safer workplace and that generally people are going to increase year after year with better health.

I wish this picture were true, but we see right at this moment the Environmental Protection Agency disregarding its responsibilities to protect us from exposure to very hazardous chemicals. We see the breakdown in the last 2 years of many regulatory programs that have tried to give us a safer workplace. We see an increase in many diseases.

I have to assume that the rosy future described by my friend and colleague from California may not occur. Under the Pickle amendment, we ask people many years from now to take a benefit cut because they will be early retirees, presumably by choice. We ought to ask, who are these people who choose, so to speak, to retire early?

Well, I think we can make certain assumptions about those early retirees in the next century, based on who the early retirees are now. The early retirees are those who are not able to work any longer because of health reasons, often because of jobs that are very, very difficult and demanding physically. The early retirees are people who have no job at all because they face difficulties in their elderly years in finding an employer who will hire them. They tend to be women. They tend to be low income. They tend to be minorities and these are the people who will bear the benefit cut if the Pickle amendment is adopted. That, I believe, is unfair. It is unfair to them because they are the ones who do not have extra pension benefits and savings upon which they can cushion their retirement. They are the ones who are going to be asked to take the benefit cuts and they are the ones who are going to be hardest hit by this benefit cut.

It seems only fair to me that we ought to ask those who are working to pay for and carry the burden for those who during their working years paid into the fund. I will therefore support the proposal that will be soon offered by our colleague, the gentleman from Florida (Mr. PEPPER) which will increase the taxes paid by those who can best bear paying those increased taxes, those who are in fact working.

I ask you not to think of early retirees as people with whom most of us in these Chambers usually associate—middle-class professionals who have a private pension or private means. Think of those early retirees who are the people who have broken their backs working in the hard labor jobs who have seen the toll it has taken on their health and who must quit work at an earlier age than 67. Do not turn your back on them.

□ 1610

Mr. PICKLE. Mr. Chairman, I yield 1 minute to the gentleman from Texas (Mr. HANCE).

(Mr. HANCE asked and was given permission to revise and extend his remarks.)

Mr. HANCE. Mr. Chairman, I rise in support of the Pickle amendment and I commend the chairman of the subcommittee on the outstanding job that he did.

I think the thing that we have to look at and the group that we have to think about, the grandchildren and the children that would be self-employed and would get strapped with that 16.3-percent payroll tax. I guarantee you, they cannot pay it. If you are talking about over 16 percent on payroll taxes, plus your income taxes, you are talking about taxes that will be very hard for young people to swallow and believe that there is going to be a sound social security system. I think that is the thing we have to look at.

The gentleman from Massachusetts (Mr. SHANNON) has pointed out, and I think properly so, that there are those who are in physically tough jobs, but we can take those exceptions and take care of those in some way, and Congress will. But the other thing we have to look at is the long-range effect, and I think without this amendment we will not be fixing the program. The social security system would not have the support that it has had in the past unless we adopt the Pickle amendment.

My support of this bill was the result of assurances that an amendment would be made in order that would solve the long-term financial problems of social security without further increases in the payroll tax. The Pickle amendment gives us this opportunity. I understand the concerns of Mr. PEPPER and I commend him on his work on behalf of our older Americans. I can understand how this compromise reform package contains items he would prefer not to see in it, like the COLA delay. There are items in the compromise package that I would prefer not to see in it, too, like the tax increases for the self-employed. We both have had to accept the compromise in order to present to Congress a package that not only would resolve the funding problems of social security, but would distribute the financing burdens in as fair a manner as possible.

This bill was not an easy one to draft and it will not be an easy one to implement. It requires hard choices by each one of us in Congress and sacrifices by every American—old and young alike. I strongly object to the tax increases in the bill yet realize without them, proposals to reform the system would have failed. We need to protect the benefits of our elderly yet in doing so should not break the backs of the American worker.

While this bill is not perfect, it takes necessary action to resolve the social security crisis in a responsible manner.

Mr. PICKLE. Mr. Chairman, I yield 4 minutes to the gentleman from California (Mr. THOMAS).

(Mr. THOMAS of California asked and was given permission to revise and extend his remarks.)

Mr. THOMAS of California. I thank my subcommittee chairman for yielding this time to me, and want to commend him for the job he has done, along with my ranking member, Mr. CONABLE and the chairman of the Committee on Ways and Means, Mr. ROSTENKOWSKI.

Mr. Chairman, I think we ought to confess at the outset that imperfect people were trying to accomplish the art of the possible on a package that was already two-thirds locked up. When you examine that two-thirds of the untouchable part of the package, it was mostly tax increases and speed-ups.

The solution to the shortfall in revenue over the long term was left up to us, and now we have moved the choice for the long term to the floor.

In argument on the bill itself and on this amendment, the record will show that we can stipulate that the basic problem in the social security system is structural and the reason it is structural is because the American people have changed. The profile of our population has changed.

I have heard the test of fairness used several times. I think we need a plan that is fair to the youth, the middle aged, and our senior citizens. I want to tell those people who want to march under the Pepper banner, that that banner reads, "We do not reform; we just raise taxes," to those people who want to march under that banner, this gentleman says that that banner is available any time. Next year, 10 years from now, 25 years from now, if you do not want to reform, you can always raise taxes. There is no structural change in the Pepper amendment. Structural change takes time and we have lost too much time already.

Under the Pepper amendment we are telling people that they are going to get 40 years of increased taxes that is not fairness.

The committee proposal for the long-term funds a portion of it from raising taxes, 40 percent, more taxes on top of taxes. You could characterize 60 percent of the proposal 25 demographic change since it embodies benefit reduction. In other words, we tell our youth, "Pay more taxes and get benefit cuts when you retire." You call that fairness? And who gets their benefit cut? It is across the board. It is overkill. The disabled get their benefits cut. But they are not the problem. The widows and orphans of workers who die before age 62, they get their benefits cut. They are not the problem.

The problem is that the American peoples demographic pattern has changed. The Pickle amendment is a

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demographic solution to a demographic problem.

My colleague from California (Mrs. BOXER) indicated that she was worried about the people who retire when their age reaches 67. That is 45 years from now. That is a longer period of time than she has been alive.

My colleague from Connecticut (Mrs. KENNEDY) worried about the lady who perhaps might have to retire at 62 in the year 2022 with a 12-percent reduction over current law. Year 2022 is 36 years after the study that is required in this amendment to determine what we do with these individuals who, through no fault of their own, are forced to retire early.

The gentleman from Massachusetts, Mr. SHANNON, clearly indicated, based upon the percentage of those people who have to retire early, that a majority of people are not in that category. A majority of people retire early because they want to, not because they have to.

The gentleman from Georgia, Mr. FOWLER, is concerned about the least of our brethren. We all are concerned about the least of our brethren, but we do not think the least of our brethren ought to drive the system. We can take care of those people without requiring that the entire system be structured to deal with this minority.

If we combine the short-term committee solution with the long-term Pickle amendment, we produce an acceptable package, a package that is fair, a package that is supported by the chairman of the Committee on Ways and Means, the chairman of the Subcommittee on Social Security, and a majority of the members of the full Committee on Ways and Means.

Support the Pickle amendment. Make the total social security package an acceptable one.

Mr. SHANNON. Mr. Chairman, I yield 2 minutes to the gentleman from Oregon (Mr. WYDEN).

Mr. WYDEN. I thank the gentleman for yielding this time to me.

Mr. Chairman, I rise in opposition to the Pickle amendment.

First, I understand that we have got a gun at our heads right now. We have been told that there are only two long-term alternatives, raising the retirement age or raising payroll taxes.

Even though neither of these proposals is to go into effect for decades, we are being asked today to opt for one of two choices that most of us, and our constituents, feel uncomfortable with.

I think we should reject this amendment and in the months ahead prepare legislation in two areas that will genuinely address the long-term needs of social security:

First, the gradual transfer of medicare from the payroll tax into the general fund; and

Second, work promotion, not work coercion.

That way we can take up long-term solutions based on real reforms, not

just political scale balancing between benefit cuts and regressive taxes. And the way to start the process is by beginning to phase medicare off the payroll tax and into the general fund, with new revenue sources such as a modest increase in the tax on hard liquor.

If we begin this transfer of medicare to the general fund between now and 1988 when the large payroll tax boosts for social security go into effect, we can avoid serious shortfalls in the program down the road—and without precipitous benefit cuts or regressive tax hikes.

I strongly support enactment of a prospective payment system for medicare, but the clear reality is that that reform alone will not solve the financing problems of medicare. And if medicare is not removed from the payroll tax in the years ahead, the American people will be faced with regressive payroll tax hikes for both social security and medicare that they cannot afford and will not stand for.

Liberals and conservatives do not agree on much of anything around here, but both dislike payroll taxes—and for the right reasons. Liberals do not like payroll taxes because of their regressivity, and conservatives do not like them because of their impact on small business. Both concerns are valid, and both raise serious questions about what has to be done for social security and its health care arm for the long-haul.

Beyond developing ways to transfer medicare to the general fund and reduce the growth of payroll taxes, I also feel Congress should be in the business of work promotion, rather than work coercion.

The Pickle amendment coerces older people to work—whether or not they are physically able. What I believe Congress should do is promote older worker productivity by developing new incentives to encourage older people who want to keep working to do so.

One of the first steps to take in this area is to change the outside earnings test, a bizarre discrimination which means that if an older person gets up at 6 in the morning and drives a milk truck to supplement their retirement, he or she has to give up what they earn over \$6,000 per year, but if they rely on stocks and bonds and other such sources for their livelihood, there is no limit at all.

Over the long term, we must return to a discussion of true incentives for older people who want to keep working that will encourage productivity among a generation that has made incredible contributions to virtually every aspect of our society. If we do not, we all lose.

Mr. Chairman, all of us here today recognize all of the hard work that went into putting this package together—and we appreciate it. But let us also recognize that for the long-term strengthening of social security, the pot of gold is not yet at the end of the

rainbow. We have just begun a massive undertaking, and when we finish our work tonight, I think we need to make clear to our constituents that additional steps will be needed to insure that 75 years from now, this country has in place a retirement and health care systems that is truly just, fair, and efficient.

Thank you, Mr. Chairman.

The CHAIRMAN. The Chair would like to state that the gentleman from Texas (Mr. PICKLE) has 15 minutes remaining, and the gentleman from Massachusetts (Mr. SHANNON) has 15 minutes remaining.

Mr. PICKLE. Mr. Chairman, I yield 1 minute to the gentleman from Pennsylvania (Mr. RITTER).

(Mr. RITTER asked and was given permission to revise and extend his remarks.)

Mr. RITTER. Mr. Chairman, I come from a district with steelworkers, truckbuilders, truckers, cement workers, and other heavy manufacturing industries. That is why I opposed the administration's 1981 suggestions to raise the early retirement age almost immediately. Right now early retirement is taken by a very large percentage of those who do the hardest jobs, perhaps two-thirds or more. And that is the way it will be starting in the year 2000 and extending to the year 2027. For these jobs, early retirement will continue. But I think we also need to recognize that the heaviness of physical labor has declined with the forward thrust of technology. And in the next several decades, this forward thrust will accelerate, further supplanting heavy manual work with machine work just like our jobs were more physical 20 years ago, so they will be less physical 20 years from now and beyond. It is shortsighted to extend, as some on this floor have done, the physical component of today's jobs into the technological environment of the year 2000 and beyond without considering the impact of technology. The Pickle amendment does not discriminate against those who will be engaged in performing heavy physical work, as they will not only continue to retire early but will see the nature of their jobs change.

If you are buying vegetables today, a "Pickle" is a better buy than a "Pepper."

□ 1626

Mr. PICKLE. Mr. Chairman, I yield 2 minutes to the gentleman from Florida (Mr. GIBBONS).

Mr. GIBBONS. Mr. Chairman, there are not any good solutions to the problem we face. I think we need to start discarding solutions and then see what is left.

The first thing we need to do is to understand that taxes under the bill are already going to increase substantially in the outyears. This will be an added burden on every individual in

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the work force. It will be an added burden upon America in its competitive position. So I would discard, first of all, increasing taxes.

The second thing is that we do not know what the future holds. We can make some predictions about the future, but our vision about the future is much more clouded than our vision of the past, particularly when we think that we are looking as far forward as we would have to look backward to get back to 1939. And how many of us can remember when Hitler invaded Poland?

So our vision is clouded. We need to prevent making mistakes. What we should do now is adopt Pickle, because Pickle can be changed more easily out in the future. If we make a mistake with Pickle it will be much easier to correct Pickle than Pepper. We may have to adopt a little Pepper tax increases out in the future because we may need more money than we have anticipated.

Mr. SHANNON. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I only have 2 minutes at my disposal.

Mr. SHANNON. Mr. Chairman, if the gentleman runs out of time, I will yield him an additional minute.

Mr. GIBBONS. Fine. I yield to the gentleman from Massachusetts.

Mr. SHANNON. Mr. Chairman, the gentleman has just stated that it would be easier to change the provisions of the Pickle amendment than it would be to change the provisions of the Pepper amendment.

Mr. GIBBONS. The retirement age, yes.

Mr. SHANNON. I want to make the point that we are not deciding between Pickle and Pepper.

Mr. GIBBONS. Well, we really are.

Mr. SHANNON. We are deciding between Pickle and what the committee has done. I do not understand how the gentleman can make that statement. If we pass the Pickle amendment, then all the pension plans and all the provisions for retirement outside of social security will have to be adjusted to ratchet it up to a 66- or 67-year-old retirement age. We can always adjust the tax rate again. We can always go back and do that, and I am sure we are going to go back and do that.

Mr. GIBBONS. That is exactly my point.

Mr. SHANNON. But I think it is going to be very difficult for us to go back, if we make this decision today to change the retirement age. So I disagree strongly with the gentleman.

Mr. GIBBONS. Mr. Chairman, the gentleman is making the point I want to make, and that is that it is much easier to change the tax rate than it is to change the retirement age, because the closer you get to that retirement age, the more people feel they will be adversely affected. That is going to be a political problem that leaders in this Congress in the years further out will

have to face. That is really the dilemma we have had for a long time.

So we can adopt Pickle now, and if we make a mistake, it will be very easy to change back to the present retirement age.

The CHAIRMAN. The time of the gentleman from Florida (Mr. GIBBONS) has expired.

Mr. SHANNON. Mr. Chairman, I yield 1 additional minute to the gentleman from Florida (Mr. GIBBONS).

Mr. GIBBONS. So, Mr. Chairman, looking forward to the future, it will be easier to address our problems if we adopt Pickle now. As I said at the beginning, I think we are going to have to have a little Pepper as we go along because I am not convinced that the solution we have reached so far is going to be the final solution, and I would rather get a little closer to the problem time and decide then whether or not we need our Pepper tax increase then or not. That is essentially my argument. So I would say Pickle now and maybe a little Pepper later on.

Mr. SHANNON. Mr. Chairman, I yield 2 minutes to the distinguished gentlewoman from Ohio (Ms. OAKAR).

Ms. OAKAR. Mr. Chairman, I thank the gentleman for yielding some time to me.

I just want to make a couple of points. First of all, to me, the entire legislation has some real problems, but if the Pickle amendment is adopted and prevails, that is to me the death knell of the legislation. I just want to state that I have the greatest respect for the gentleman from Texas (Mr. PICKLE) but I certainly do not agree with his amendment.

First of all, it pits the young against the old. Are we telling our 20- and 30-years-olds that it is all right if we retire at 62 and 65 under the social security plan, but they will have to wait ultimately until they are 67? And under the provisions, really what that means is a loss of benefits to them.

In addition, there is a lot of talk about the Social Security Act of 1936. I wish some Members would read the report, because in the report it shows that they were almost completely accurate about the life expectancies in the 1970's and the 1980's. They projected that people would live a lot longer, and on that basis they brought forward a program. So it is not true that they did not expect people to live longer. They did. It is in the report, and they were brilliant in their projections.

If we are to make projections, however, there is no proof that men are going to live a lot longer. The median age expectancy of men is 68. Are we telling the men in the year 2000 or more that they will pay all of their working lives into a system and collect for just one full year? That discriminates against men, and, most importantly, it is blatantly discriminatory toward women.

In addition, I truly understand the difficult task that the Committee on Ways and Means had in presenting this body with a comprehensive, rational social security package that does not place an unnecessary burden on either social security contributors or beneficiaries. I also believe that certain aspects of H.R. 1900 accomplish the goals that the members of the Ways and Means Committee set. I commend the members of this Committee and the National Commission on Social Security Reform for their efforts.

However, I cannot deny that I have strong reservations regarding core issues. First, Mr. Chairman, I am disappointed with the rule that was granted on H.R. 1900. It appears unfair that Members were not allowed to vote separately on the issue regarding Federal employees. I am not asking that the provision be eliminated. I am asking why Members were not provided a choice to delay implementation by 1 year. In 1 year, the Committee on Post Office and Civil Service with the assistance of postal and Federal unions and administrative agencies would have been better prepared to formulate a supplemental civil service retirement system. The statistical data and actuarial projections that are definitely needed to reshape a retirement system would have been available.

Without the choice, new Federal hires will be mandated to pay 7 percent of their pay into the civil service retirement system and 7 percent in the social security system. Members of Congress will see 15 percent of their pay going into both systems. Perhaps Members will not miss the 15 percent. New hires, whose average starting salary is below \$15,000, will feel the loss. Federal employees will also be looking forward to reductions in pay in benefits as prescribed by the administration in its fiscal year 1984 budget.

I empathize with these employees and only hope that we can formulate a reliable supplemental system in the short amount of time we were given.

The second area of concern that I have affects present and future female beneficiaries. We all know that the package that Ways and Means passed includes certain provisions that specifically address some of the problems that women beneficiaries face; namely, widows, divorced spouses, and disabled widows. These low-cost measures will assist certain women, and generally women's groups seem to be pleased that the Ways and Means Committee included those provisions. But, one provision which allows divorced spouses to draw spouses' benefits at age 62 whether or not the former spouse has retired will place an unnecessary burden on certain women because a divorce must have been finalized 2 years prior to receiving benefits, effective in 1985. Basically, if a person becomes divorced in 1984, he/she

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cannot receive social security benefits—to which he/she is entitled—until 1986. What happens to the divorced spouse who is not employed and needs that monthly check to pay the bills and support the family?

Coupled with the financial burden that many divorced spouses will face in the coming years is the threat that all women feel if Congressman PICKLE's amendment, raising the retirement age to 67, is passed. Generally speaking women receive lower social security benefits than do men. The average female beneficiary only receives \$300 more than the national poverty level. Women also tend to retire early because of health related reasons. If the Pickle amendment is passed, our future female retirees will not win. They will face low benefits, perhaps placing them closer to or at the poverty level. They will be penalized for leaving the work force early if their health fails. They will have to depend on assumptions that may not be realized regarding the disability system. Will the disability program be able to provide protection for the workers who will not be physically able to work?

Can these future retirees also rely on the assumptions that jobs will be available? Statistics prove that women, older women, are discriminated against because of their age in more cases than not. When they do face unemployment, they tend to stay out of the work force longer. Will these inequities disappear in 17 years? I would like to think yes, but can we insure that such changes will occur?

Can we also ignore the data which shows that female mortality is declining, while disability rates are increasing? Clearly, the choice seems obvious. If we agree to the Pickle amendment we will be subjecting a vulnerable group of citizens to hardship. If we agree to the Pepper amendment—increasing the tax rate in 2010 by 0.53 percent—we will be spreading out the burden among all groups involved. It has been estimated that approximately 43 percent of the cost will be assumed by the beneficiaries and 43 percent assumed by the contributors under the provision of Senator PEPPER's amendment. On the other hand, if the Pickle amendment is adopted, almost 76 percent of the burden will fall on the beneficiaries—the group that cannot guarantee themselves alternative sources of income.

Unfortunately, I cannot support this package if the Pickle amendment prevails. The inclusion of the Pickle amendment further threatens the security of our elderly. It places the majority of the financial burden on them at a time when they will need the Government's support more than ever. Coupled with my misgivings regarding the Federal workers and women, H.R. 1900 does not accomplish what it is intended to do. It does not insure security to the future elderly of this country.

Thank you, Mr. Chairman.

We know that right now women receive notoriously lower benefits because of low wages, et cetera, and they are the first ones to be removed from the employment rolls. The Pickle amendment clobbers women. It decreases their benefits, and their benefits are already low.

Mr. PICKLE. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. SHUMWAY).

(Mr. SHUMWAY asked and was given permission to revise and extend his remarks.)

Mr. SHUMWAY. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Texas (Mr. PICKLE), and I wish to associate myself with his remarks. The gentleman's amendment would gradually increase the age of eligibility for full social security benefits beginning at the turn of the century.

Just yesterday, the Select Committee on Aging, on which I serve, conducted hearings on this critical issue. During the course of those hearings, excellent testimony was presented by our colleague from California (Mr. THOMAS) which confirmed the need to change the social security system so that it reflects a very basic fact: Americans are living, and producing, longer.

This essential change in the pattern of American living cannot be ignored. Numerous advisory groups have recommended increasing the eligibility age over the past several years, including the 1979 Advisory Council on Social Security and the 1981 National Commission on Social Security. As the distinguished author of this amendment no doubt recalls, the Ways and Means Subcommittee on Social Security considered an increase in eligibility age when fashioning the last major social security amendments in 1977. Even then, it was evident that, by the year 2000, the number of Americans over 65 years of age will have increased by 36 percent. Continued life expectancy for men 65 years of age will be 3.5 years longer than in 1940, while women will be able to anticipate an additional 7.5 years. What is more is that increased longevity will be accompanied by increased vigor. Americans are not only living longer lives—they are living healthier, more active lives.

It is somewhat ironic to me that we should perpetuate an outdated and unrealistic retirement age while at the same time fighting against age discrimination in the work force. Only last year, the Equal Employment Opportunity Commission threatened to file suit against my hometown of Stockton, Calif. unless firefighters and law enforcement officers were permitted to work until age 70. There seems to be a great disparity between the efforts of the EEOC and the dictates of the Social Security Act. Elevating the eligibility age would not only relieve the burden on the social security trust

funds—it would also help abolish the vestiges of age discrimination in the work force.

In short, increasing the eligibility age would be of great benefit on more than one front, and would have a positive effect on the social and economic lives of older Americans. I strongly endorse the language of this amendment, and urge my colleagues to do likewise.

Mr. SHANNON. Mr. Chairman, I yield 4 minutes to the distinguished gentleman from Missouri (Mr. GERHARDT) a member of the Ways and Means Committee.

(Mr. GERHARDT addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.)

Mr. PICKLE. Mr. Chairman, I yield 4 minutes to the gentleman from New York (Mr. COSANS).

(Mr. COSANS asked and was given permission to revise and extend his remarks.)

Mr. COSANS. Mr. Chairman, the issue before us is whether social security, a terribly sensitive and central institution, not just in the consciousness of this body but in the consciousness of the American people, can be reformed or if the only way in which we can respond to crisis is to raise its cost to the taxpayers.

In fact, if we cannot reform the retirement age many years from now then we are never going to be able to reform social security at all. If we are never going to be able to reform it because it is a social contract carved in brass, then indeed that institution is going to be buffeted from time to time due to the vicissitudes of the economy.

We must in fact be able to reform it if it is to survive.

What we are suggesting is not something that abuses the social contract because that is what we are talking about. Instead, we are trying to create a new social contract here with our younger workers. We are saying to them as your Representatives we assume that you would rather take your chances on a somewhat later retirement than to pay during the intervening years even higher taxes which will otherwise be necessary.

If asked in those terms, that is what many would respond, and we must be responsive not just to our older people but to those younger workers with whom we are forming this new social contract.

We cannot change the retirement age on short notice. We can always raise taxes on short notice, and we have demonstrated that time and time again. If it is not necessary to have an older retirement age some 20 or 30 years from now it is always possible for the Congresses of the future, and we cannot bind them, to back off. But it is not fair for them to raise the retirement age on short notice even though demographics may demonstrate that that is the thing to do.

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Now we have a terrible tendency in this body to cherish the way things are now and to defend the status quo. In fact, there is nothing speculative about the conditions of the labor force after the year 2000.

They are going to have the post-World War II baby boom moving into retirement and the relatively low birth rate of today will be moving into the labor force. Therefore we are going to have a very difficult time trying to maintain an institution as sensitive and as important as social security unless we have planned carefully—not speculated—but planned on known facts.

These people exist. They are here now. We know there may be many reasons, including longevity, including psychological factors, including the necessity that we will have to maintain our standard of living by using the many talents of our senior citizens for a longer period of time than we use them now, to encourage some increase in the retirement age. I say this is a perfectly acceptable and sensible thing to do, provided we do not mislead people.

If it proves to be unnecessary later on, we can always back off. It is always possible for us to raise taxes at some time in the future. But to build a tax increase into the system now is to signal an institutional defeatism that would be most inappropriate for a representative body like ours.

Mr. SHANNON. Mr. Chairman, I yield myself 2½ minutes.

Mr. Chairman, we come down to the final moments of what I think will be the most important debate that will be taking place on this floor today. We have to face a question and an issue that we are going to have to live with for a good long time.

I would say to my colleagues this whole business of trying to deal with the long-term problem of social security is speculative to some degree. I think we all agree that we wanted to try and address it in some way or another but anybody who goes home to their constituents and says these numbers we are talking about today are going to be the absolute accurate numbers by which social security will be governed for the next 75 years is making a terrible mistake.

Thirty years ago we could not have predicted what has happened to the American economy in the past 30 years, and today we cannot look ahead 30 or 40 or 50 or 75 years and predict with any accuracy as to what is going to happen to our population, what is going to happen to our economy, what the rate of life expectancy is going to be, and what sorts of problems people are going to be facing in the future. These are all unknowns.

Yet what we are saying is on the basis of what we think might happen, on the basis of what we think could possibly happen, we are going to single out one small segment of the population, we are going to say to them

whatever happens in the future, the burden is going to rest on your shoulders, the burden is going to rest on those who do hard labor and are forced to retire early.

We are very privileged to be Members of the House of Representatives. We are privileged because we are able to serve our constituents and our country. But we are privileged in another way as well. We do not get our hands dirty when we work. We do not break our backs working to serve the people. We do not have to worry about doing labor that forces us into retirement at 62.

Several people have referred to the fact that we have many Members who are 63, 64, 65, or 66. Ask yourself, can you picture them putting up steel, mining coal, breaking their backs in farm labor? I cannot.

Think about the people you represent. Are we going to ask them to bear all of the burden of the future problems of social security? I hope not.

This has been a fine package that has been put together by the Commission, by the Ways and Means Committee; fine, because the burden of solving the problem of social security is shared. This amendment, if adopted, violates that concept. It says we are not going to share the long-term burden, we are going to place it on the little guy. We are going to place it on those who cannot raise their voices. We are going to place it on people who do the hard work in our society. And there are going to be plenty of them in the future.

I say if we do this today we will never undo it, we will never go back. We will never remember, and they will be the ones who suffer. Let us not do it. Reject the Pickle amendment.

● Mr. HUGHES. Mr. Chairman, I rise in support of the Social Security Act amendments we are considering on the floor today.

Most of us would agree, I believe, that this is not a perfect bill. Each of us have some individual ideas on how the package could be improved. It was for that reason I voted against the modified closed rule that prevented further amendments. In particular, I have serious reservations about several of its provisions, most significantly, the payroll-tax increases. These will hit especially hard at the self-employed who are being increased from 9.35 to 11.9 percent.

My major concern, however, throughout the months of debate on the social security program, has been to insure that promises made to those working under the social security system are not broken—that those who paid into the system will receive the benefits they are entitled to, and which they have planned for.

I believe that this bill, on balance, keeps this promise, although I was disappointed by passage of the Pickle amendment. The increase in retirement age provided for in that amendment for those retiring after the year

2000, does affect those now paying into the system.

I have no objection, in light of increasing life expectancies, to raising the retirement age for those who have not yet entered the social security system. But to change the rules in the middle of the game, for those who have been paying into the system for as long as 20 to 25 years with the expectation of retiring with full benefits at the age of 65 is, I believe, unfair and unfortunate. Twice I joined with many of my colleagues to vote against this provision. We lost that battle in the House and we can only hope that we can prevail in the Senate or in conference. For now, however, we must face the fact that the crisis is upon us, and this compromise does represent a good-faith effort by all concerned to put the social security system on a sound footing for the years and decades ahead. Its defeat here would put us right back where we were 1 year ago, when the study of this urgent subject was commenced by the President's bipartisan commission, and we just do not have that kind of time left to us.

As such, this bill achieves our basic goals—restoring financial stability to the social security system—without jeopardizing the welfare of those who depend upon social security for their retirement, both now and in the years ahead.

I believe, in short, that this is the best bill we can write at this time, and the Ways and Means Committee should be commended for the compromise it has brought to the floor. I urge my colleagues to support this measure. ●

● Mr. McCURDY. Mr. Chairman, I rise in support of H.R. 1900, the Social Security Act Amendments of 1983. While this is not a perfect bill, it is a fair and balanced approach to eliminating present and projected deficits in the social security trust funds. Furthermore, its passage by this House is urgently needed to restore public confidence in the social security program itself—a program that constitutes one-fourth of the entire Federal budget, and pays benefits to 36 million people, 1 of every 7 Americans.

Under this bill, which generally follows the recommendations of the bipartisan National Commission appointed last year, everyone will bear part of the burden of putting the social security system back on a sound footing: current beneficiaries, currently covered workers and their employers, the self-employed, Federal employees, Members of Congress, and other elected officials, higher income retirees, State and local government employees, and employees of nonprofit organizations. But no one group will be called on to sacrifice unfairly.

There are some problem areas, however, that must be addressed.

The Ways and Means Committee bill proposes to make up part of the sys-

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tem's predicted long-term deficit through a 5-percent, across-the-board reduction in initial benefit levels, beginning in the year 2000, and the remainder through a tax increase.

Instead of this approach—cutting benefits and raising taxes—I support the amendment offered by the gentleman from Texas (Mr. PICKLE) to strike this provision, and substitute an increase in the retirement age from 65 to 67, to be phased in gradually in two stages between the years 2000 and 2027. I believe this is preferable to further increases in the payroll tax, which would only add to unemployment and inflation.

In addition, I regret that the parliamentary situation under which this bill has been brought to the floor prevents us from debating and voting separately on the provisions affecting Federal workers hired after January 1, 1984. I urge the Committee on Post Office and Civil Service to act quickly on legislation to create a supplemental retirement program for these new Federal workers. I commend the committee for rejecting the administration's proposals to freeze wages and reduce benefits for Federal employees and retirees, and I am confident that the Congress will continue to insure the integrity of the civil service retirement system.

As we strive to make social security solvent, we must also consider those persons who apparently are exploiting the system. I continue to support separate legislation to limit benefits for illegal aliens, foreign nationals, and prison inmates.

Finally, we should insure that unclaimed social security benefit checks are returned to the social security trust fund, rather than to general revenue. I hope that prompt action will be taken on these issues.●

● Mr. FRENZEL. Mr. Chairman, I rise in strong support of the amendment offered by the gentleman from Texas (Mr. PICKLE) to increase the retirement age as a solution to the long-term problems facing the social security system.

As I stated earlier, we raised taxes too high to support the social security system in 1977. We are raising them again today. Without the Pickle amendment, we will be forced to go back to the same well again. It is time we stopped pumping that well dry.

The amendment raises the age of normal retirement by only 1 year from 2000 to the year 2008. It raises the age to 67 by 2023. This will give working American people at least 25 years to take the new retirement ages into consideration in planning for their retirements.

With the increases in life expectancy, and the increase in the number of older Americans choosing to keep on working in many cases far past the age of 65, the Pickle amendment makes sense. We have retained the early retirement age of 62. I urge my colleagues to support this amendment.●

● Mr. GLICKMAN. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Texas, the chairman of our Social Security Subcommittee. I do not do so with great enthusiasm. I have not been an advocate of increasing the retirement age. Instead, I do so because I have reached this conclusion based on what I think are the realities confronting us in terms of the long-term solvency of the social security system and the legitimate concerns of those who would be affected.

First of all, let us consider the facts. People are living longer and healthier lives. That trend is certain to continue over the next 50 years. In fact, this Congress has recognized that reality in earlier legislation generally raising the mandatory retirement age to 70—that is 3 years beyond the eligibility age for full social security benefits in the year 2027 under the Pickle amendment.

Second, the amendment offered by Chairman PICKLE would have no effect at all on individuals who are over 45 years of age today. It would raise the retirement age less than a full year for individuals who are more than 40 years old today. It would not mean a full 2-year increase except for people born in 1960 or after; those people are 23 years old or younger right now. The length of time before this provision would begin to take effect is certainly sufficient for people to adjust themselves to the fact that the general retirement age will be a bit higher in the next century. It is not an onerous burden particularly since the amendment sets in progress a study which will serve as the basis for modifications in the program, if necessary, to provide relief for individuals in physically demanding jobs or who need to retire earlier for health reasons.

Third, the Pickle amendment appeals to me because it eliminates the need for doing two things none of us relish but which would happen under the committee bill: Cutting benefits or raising taxes.

By making this realistic, long-range and gradual change in the eligibility age for full social security benefits, we will not have to make the effective 5-percent benefit cut which the bill would require beginning in the year 2000. We would also not have to move ahead with the tax increase that would be required beginning in 2015.

None of these choices are pleasant; in fact, the whole question we are facing in this bill is less than pleasant. I have come to the conclusion that the Pickle option is the least objectionable, the most realistic, and the most reasonable from all perspectives. I hope my colleagues will share that point of view.●

□ 1640

The CHAIRMAN. The Chair would like to state that the gentleman from Texas (Mr. PICKLE) has 6 minutes remaining, the gentleman from Massa-

chusetts (Mr. SHANNON) has 5 minutes remaining.

Mr. SHANNON. Mr. Chairman, I yield 5 minutes to the distinguished chairman of the Rules Committee, the gentleman from Florida (Mr. PEPPER).

Mr. PEPPER. Mr. Chairman, a few days ago the gentleman from North Dakota (Mr. DORGAN) and I were making a video tape for him to send back to his State. We were talking about social security. Mr. DORGAN said, "The other day in my State of North Dakota, I was approached by a lady who said, 'Mr. Congressman, please do not cut the benefits of those who are going to retire at 62.' She says, 'I am just praying that I will be able to carry on for a few more months because I have arthritis so bad I can hardly get out of bed in the morning.'" That lady, by the Pickle amendment, if she retired at 62, would have her benefits cut 12.5 percent. Is that helping the system or the country?

What we come to decide now is what kind of a package we are going to end with. We started with a magnificent package. I say magnificent in its overall comprehensive accomplishments. There were parts of it that some of us bitterly opposed. I never thought I would vote to take away any part of the COLA from the elderly people of this country; I never thought I would vote to tax any part of the social security benefits of the elderly of America, but I did, because I had no choice except to vote for this package or to vote against it. And by voting for this package, in spite of the sacrifices I had imposed upon the elderly, I was able to confront them and say with pride and confidence, "We have given you a social security system that will be sound and strong and stalwart and solvent 75 years from now."

And if my amendment is adopted and this one is defeated, then we can also say to them, I think with great pride, "And we have not cut your social security benefits." That was one of the reasons we were able to persuade the elderly to go along. You have not been button-holed in the corridors by the elderly pleading with you, "Do not do the things that this package does to the elderly." They thought in the long run we were doing them a good deal.

Now, here at the very tail end, when we are not dealing with the magnitude of the problem, but only with the tail end of it, at the utmost only a third of the money that might be involved, we are going to lose all the benefit that we will have derived from being able to say, "We have not cut your benefits" and come along and say we will cut benefits if you are going to retire at 62 by 12.5 percent. You know, they forget, when they say the "people are living longer." Yes, thank God. But the other day we had witnesses before the Aging Commission, or the Commission on Social Security, one Dr. Robert Butler, the head of the Nation-

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al Institute on Aging, and a member of his group; both of them testified, "Yes, in the last 10 years the average age has risen 10 percent." But they also added disabilities among the elderly working people have also increased 10 percent. Mr. PICKLE recognizes that by having brought on here now the suggestion that he will have a commission set up to try to accommodate the difficulties that will be experienced by those who will get less when it comes to the time of their retirement. I think Mr. Lane Kirkland, who is the head of the AFL-CIO, was a member of the commission, he said in a stirring statement he made before the commission, "If anybody has to bear the burden as one of my distinguished colleagues said here a while ago, it is a question of who should bear the burden, all right let us solve that problem." Mr. Kirkland said, "If anybody is to bear the burden let it be those strong enough to be able to work, not those who are not able to work or those who quit work and could not find another job or those who have one difficulty or another or have been shoved out of their job by racial or age discrimination."

Yes, what we are saying is, this Pickle proposal is something that was rejected in substance by the commission, in the very last day; there was a provision in the proposed package that we reduce—

The CHAIRMAN. The time of the gentleman from Florida has expired.

Mr. PICKLE. Mr. Chairman, I yield my dear friend 1 additional minute.

Mr. PEPPER. I thank my distinguished friend for his kindness.

In that package proposal if he retires at 62 your income will be reduced from 80 percent of what you would get at 65 down to 74 percent. We defeated that in the commission. Now we have another proposal here raising the age of eligibility, another way of cutting benefits, another way of us alleviating some of the burden we have imposed upon the elderly of America, now with this amendment adopted we cannot say any longer, "We have not cut benefits" no matter what pride we take in the accomplishments of the package.

Mr. PICKLE. Mr. Chairman, I yield myself the remainder of my time.

The CHAIRMAN. The gentleman from Texas, (Mr. PICKLE) has 5 minutes remaining.

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Chairman, first I wish to attempt to straighten the Record on a matter that is in a handout with respect to the so-called Pickle amendment. The context was that we would reduce benefits 5 percent and then 12 percent; to age 67. Now, Mr. Chairman, the handbill compares lifetime benefit returns in an inaccurate way, that is the kindest way I can put it—an inaccurate comparison ignoring the larger taxes that must be

paid by these individuals before they retire. The tax increases in the bill now combined with the benefit reductions in the committee bill actually raises slightly more revenue over the long term than my amendment and therefore should have at least an equal impact on these individuals.

In comparing age 62, benefits, the handout ignores the fact that the purpose of raising full benefits is to encourage people not to retire at age 62. Rather, the purpose is to encourage people to delay retirement, at which time they would receive full benefits.

Further, and I want to make this point, under the Pickle amendment, provision is made to provide the Congress the solution to prevent benefit reductions for individuals who cannot delay their retirement. The handout shows that my bill would be making reductions when in fact the provision in the bill, itself, makes reductions and increases taxes to raise more money than what I have proposed.

□ 1650

This is an inaccurate handout and I think the Record ought to show it because some people think the Pickle amendment would make big reductions.

Now, Mr. Chairman, 2 years ago my subcommittee made recommendations in an effort to cure our short-term and long-term deficit. We were told then there was not a need to act and that we really need not worry about the long term because of the demographics, the problem would take care of itself. We have found that is not so.

Now we have reached a point where we have a chance to do something about it. We tried to move and we could not. But we have kept together now the last 2 years, our committee and the full committee, on a bipartisan basis.

I want to make two or three points now as we close.

First, we cannot just keep on raising taxes. My colleagues know that and I know it. The committee bill raises taxes, overall now, to a rate of 15.78 percent. The Pepper bill would raise taxes in excess of 16.36 percent. Now we know we cannot just keep on raising taxes. We know that longevity has increased. We do not have to argue that question. Thank goodness that medical science has been such that we have learned to live longer and to work longer. I contend that people want to stay in the work force, people want to keep working. They are better off physically, mentally and financially. There is nothing in the world wrong with raising our retirement age just 1 year, 66, and then up to 67. That is not harsh, that is just in keeping with the time.

I said to my colleagues earlier that I think that is inevitable and I think that it is.

Now the committee bill before us and the one which one Member said he thought might be preferable, the

committee bill cuts benefits. It cuts benefits, 60 percent of that deficit is made up by cutting benefits. It is a 5 percent overall cut in benefits. And in addition, it has a 0.24 percent increase in taxes. So you are cutting benefits and you are raising taxes at the same time.

Now it may be that that may be the amendment you want to fall back on. But I say to my colleagues it is far better for us to raise the retirement age in the future so that people will have ample notice when to get ready for it. And we are going to be ready in the meantime to give them a definition on the disability, on occupational disability, because we think they are entitled to that.

I would think then we ought to sum up this argument by this. Nobody wants to cut benefits, my dear friend from Florida. I do not want to cut benefits, but I think the American people expect us, the Congress, to make some structural changes. We have raised taxes three or four times in this bill that is before us. We are taxing one-half of the benefit and we have raised the retirement age. We need to make structural changes.

I urge the Members to support this. The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas (Mr. PICKLE).

The question was taken; and the chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. SHANNON. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 228, noes 202, not voting 3, as follows:

[Roll No. 221]

AYES—228

Alexander	Conable	Green
Andrews (TX)	Cooper	Gregg
Annunzio	Corcoran	Gunderson
Anthony	Coughlin	Hall, Ralph
Archer	Courter	Hall, Sam
AuCoin	Craig	Hamilton
Badham	Crane, Daniel	Hammerschmidt
Barnard	Crane, Philip	Hance
Bartlett	Daniel	Hansen (ID)
Bateman	Dannemeyer	Hansen (UT)
Bates	Daschle	Hartnett
Bedell	Daub	Hatcher
Bellenson	de la Garza	Hefner
Bennett	DeWine	Heftel
Bereuter	Dickinson	Hightower
Bethune	Downey	Hiler
Billakis	Dreier	Hillis
Bliley	Duncan	Holt
Boehliert	Edwards (AL)	Hopkins
Bouquard	Edwards (OK)	Horton
Breaux	Emerson	Hunter
Brooks	English	Hutto
Broomfield	Erlenborn	Hyde
Brown (CO)	Evans (IA)	Ireland
Broyhill	Fiedler	Jeffords
Burton (IN)	Fields	Jenkins
Byron	Fish	Jones (NC)
Campbell	Flippo	Jones (OK)
Carney	Forsythe	Kasich
Carper	Franklin	Kazen
Chandler	Frenzel	Kemp
Chappell	Fuqua	Kindness
Chapple	Gekas	Kramer
Cheney	Gibbons	Lagomarsino
Clinger	Gingrich	Latta
Coats	Glickman	Leach
Coleman (MO)	Grassman	Leath
Coleman (TX)	Gramm	Lent

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Levitas
Lewis (CA)
Lipinski
Livingston
Loeffler
Lott
Lowery (CA)
Lujan
Lundine
Lungren
Mack
MacKay
Madigan
Marlenee
Marriott
Martin (IL)
Martin (NC)
Martin (NY)
Matsui
Massoli
McCain
McCandless
McCollum
McCurdy
McDonald
McEwen
McGrath
McKernan
McKinney
McNulty
Michel
Montgomery
Moore
Moorhead
Morrison (WA)
Myers
Nielsen
O'Brien

Olin
Ortiz
Oxley
Packard
Parris
Pashayan
Paul
Penny
Petri
Pickle
Porter
Pritchard
Pursell
Quillen
Ray
Ridge
Ritter
Roberts
Robinson
Roemer
Rogers
Rostenkowski
Roth
Roukema
Rowland
Rudd
Sawyer
Schulze
Sensenbrenner
Shaw
Shelby
Shumway
Shuster
Sillander
Skeen
Slattery
Smith (NE)
Smith (NJ)

Smith, Denny
Smith, Robert
Snowe
Solomon
Spence
Stangeland
Stark
Stenholm
Stratton
Studds
Stump
Sundquist
Synar
Tauke
Tausin
Taylor
Thomas (CA)
Thomas (GA)
Udall
Valentine
Vander Jagt
Vandergriff
Vucanovich
Walker
Watkins
Weber
Whitehurst
Whitley
Whittaker
Wilson
Winn
Wolf
Wortley
Wright
Wylie
Young (AK)
Young (FL)
Zechau

Stokes
Swift
Tallon
Torres
Torricelli
Towns
Trazler
Vento
Volkmer

Walgren
Waxman
Weaver
Wells
Whelan
Whitten
Williams (MT)
Williams (OH)
Wirth

Wise
Wolpe
Wyden
Yates
Yatron
Young (MO)
Zablocki

NOT VOTING—3

Boland Neal Washington

□ 1710

Messrs. BORSKI, WIRTH, VOLKMER, ANDERSON, and PRICE changed their votes from "aye" to "no."

Mr. PARRIS changed his vote from "no" to "aye."

So the amendment was agreed to.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. PEPPER

Mr. PEPPER. Mr. Chairman, I offer an amendment which, in compliance with the rule, was printed in the RECORD of March 7, 1983.

The Clerk read as follows:

Amendment offered by Mr. PEPPER: Strike out title II of the bill (beginning on line 6 of page 84 and ending on line 8 of page 86) and insert in lieu thereof the following:

TITLE II—ADDITIONAL PROVISIONS RELATING TO LONG-TERM FINANCING OF THE SOCIAL SECURITY SYSTEM ADJUSTMENTS IN OASDI TAX RATES

Sec. 201. (a)(1) Subsection (a) of section 3101 of the Internal Revenue Code of 1954 (relating to rate of tax on employees for old-age, survivors, and disability insurance), as amended by section 123(a)(1) of this Act, is further amended by striking out the last line of the table and inserting in lieu thereof the following:

"1990 through 2009.....	6.2 percent
2010 or thereafter.....	6.75 percent."

(2) Subsection (a) of section 3111 of such Code (relating to rate of tax on employers for old-age, survivors, and disability insurance), as amended by section 123(a)(2) of this Act, is further amended by striking out the last line of the table and inserting in lieu thereof the following:

"1990 through 2009.....	6.2 percent
2010 or thereafter.....	6.75 percent."

(b)(1) Subsection (a) of section 1401 of such Code (relating to rate of tax on self-employment income for old-age, survivors, and disability insurance), as amended by section 124(a) of this Act, is further amended by striking out the last of the table and inserting in lieu thereof the following:

"Dec. 31, 1989.....Jan. 1, 2010.....	12.40
"Dec. 31, 2009.....	13.46."

(2) Paragraph (1) of section 1401(c) of such Code (relating to credit against self-employment taxes), as amended by section 124(b) of this Act, is further amended by striking out "beginning after December 31, 1987" and inserting in lieu thereof "beginning after December 31, 1987, and before January 1, 2010, and 2.1 percent in the case of taxable years beginning after December 31, 2009".

In the table of contents of the bill, strike out the items relating to sections 301 and 202 and insert the following:

"Sec. 201. Adjustments in OASDI tax rates."

Mr. PEPPER (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. ROSTENKOWSKI. Mr. Chairman, pursuant to the rule, I designate the gentleman from New York (Mr. CONABLE), a member of the committee, to control the time in opposition to the Pepper amendment.

The CHAIRMAN. Pursuant to House Resolution 136, the gentleman from Florida (Mr. PEPPER) will be recognized for 1 hour and the gentleman from New York (Mr. CONABLE) will be recognized for 1 hour.

PARLIAMENTARY INQUIRY

Mr. CONABLE. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CONABLE. Mr. Chairman, under the rule, would the adoption of the amendment currently before us wipe out the effect of the amendment just adopted?

The CHAIRMAN. The gentleman is correct.

The gentleman from Florida (Mr. PEPPER) is recognized for 1 hour.

Mr. PEPPER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, due to there being not altogether the best of order in the Chamber, I would like to be assured that the Members all heard the last ruling of the Chair as to what would be the situation if the Pepper amendment should be adopted by the committee.

The CHAIRMAN. The last amendment adopted and reported back to the House will prevail.

Mr. PEPPER. Mr. Chairman, you will remember this day and so will the people of America because we are determining the future and the character of one of the greatest institutions ever established in this land.

Nearly 100 million people have been recipients of social security since it was established back in 1935.

□ 1720

Every month 36 million people receive a social security check, the average of which is about \$400 or a little less. One-third of the recipients of those checks do not have a dime's income except what they get from social security, and 6 out of 10 of the American people rely primarily for their sustenance upon social security. Every month 116 million Americans pay into social security.

This is the people's program, intended by President Roosevelt and those who were the authors of the measure in those early days as some measure of assurance that those who retired

NOES—202

Ackerman
Addabbo
Akaka
Albosta
Anderson
Andrews (NC)
Applegate
Aspin
Barnes
Berman
Bevill
Biaggi
Boggs
Boner
Bonior
Bonker
Boraki
Bocoe
Boucher
Boxer
Britt
Brown (CA)
Bryant
Burton (CA)
Carr
Clarke
Clay
Coelho
Collins
Conte
Conyers
Coyne
Crockett
D'Amours
Davis
Dellums
Derrick
Dicks
Dingell
Dixon
Donnelly
Dorgan
Dowdy
Durbin
Dwyer
Dymally
Dyson
Early
Eckart
Edgar
Edwards (CA)
Erdreich
Evans (IL)
Fascell
Fazio
Feighan
Ferraro
Florio
Foglietta

Foley
Ford (MI)
Ford (TN)
Fowler
Frank
Frost
Garcia
Gaydos
Gedensson
Gephardt
Gillman
Gonzales
Goodling
Gore
Gray
Guarini
Hall (IN)
Hall (OH)
Harkin
Harrison
Hawkins
Hertel
Howard
Hoyer
Hubbard
Huckaby
Hughes
Jacobs
Johnson
Jones (TN)
Kaptur
Kastenmeier
Kennelly
Kildee
Kogovsek
Kolter
Kostmayer
LaFalce
Lantos
Lehman (CA)
Lehman (FL)
Leland
Levin
Levine
Lewis (FL)
Long (LA)
Long (MD)
Lowry (WA)
Luken
Markley
Martinez
Mavroules
McCloskey
McDade
McHugh
Mica
Mikulski
Miller (CA)
Miller (OH)

Mineta
Minish
Mitchell
Moakley
Molinaro
Mollohan
Moody
Morrison (CT)
Mrazek
Murphy
Murtha
Natcher
Nelson
Nichols
Nowak
Oakar
Oberstar
Obey
Ottinger
Owens
Panetta
Patman
Patterson
Pease
Pepper
Perkins
Price
Rahall
Rangel
Ratchford
Regula
Reid
Richardson
Rinaldo
Rodino
Roe
Rose
Roybal
Russo
Sabo
Savage
Scheuer
Schneider
Schroeder
Schumer
Seiberling
Shannon
Sharp
Sikorski
Simon
Sisisky
Skelton
Smith (FL)
Smith (IA)
Snyder
Solars
Spratt
St Germain
Staggers

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would have a decent sustenance upon which to live, that those who died would have a measure of protection to transmit to their widows and their children, and that those who became disabled under another phase of the system would have some support.

The Congress has been not only the creator but the protector of social security. Now we are determining to what extent we are going to preserve it in the character in which it was conceived. If today we cut benefits, it will be the first time in the history of the Congress since the inception of social security, except in 1977, when we corrected an actuarial error that had been inadvertently included in the previous legislation. But today, by any method, whether by raising the age of eligibility or by changing the formula under which we calculate social security benefits, if we reduce benefits from the structure that now exists, no matter how sound and solvent we preserve the system, we will leave a taint upon its character that has never been put there by any previous Congress. And, remember, the people we are cutting are not even the able-bodied workers, about whom Lane Kirkland, president of the AFL-CIO, said before the Commission:

If anyone had to bear the burden, he was better able to bear it than the unemployed, the retired, the discharged, the ill, or the disabled who are the beneficiaries of social security.

There have been, unfortunately, two causes of the trouble we have now with social security. One was back in 1972 when the Congress determined that we would have a cost-of-living adjustment to preserve the value of benefits against inflation, trying to prevent the lowering of the standard of living of the recipients of social security. And even now a large part of them have incomes below the poverty level. One-sixth of the elderly of America today, in spite of social security, have total incomes less than the income level of the poverty line.

In the 1972 social security amendments, Congress provided that benefit cost-of-living adjustments would be determined by the Consumer Price Index. Unfortunately, the historical relationship between wages and prices reversed itself. In almost every year since 1972 the CPI has exceeded the wage increase, therefor precipitating an increase upon the demands of the social security funds.

Rampant unemployment was the second cause of the system's funding problems. Today there are 12 million people unemployed, still looking for a job, and another 2 million who have given up that hope, and with those people unable to pay into social security because they do not have any pay check, is it any wonder that the old age and survivors insurance fund needs help through loans from the disability insurance fund? That is what we have been considering here in the last few months.

In 1981 the President asked the American Congress to cut social security benefits by \$88 billion in the 5 years succeeding 1981, and he induced the Congress to cut social security benefits in the succeeding 5 years by \$19 billion.

The next request of the President was to reduce by about a third the amount of benefits to be received by anybody retiring at 62 in order to discourage withdrawals from the work force.

The next request of the President was to reduce by 10 percent the benefits of those retiring at 65 over the following 5 years, and the last request was to reduce by about a third the number of people who are the beneficiaries of the disability insurance program, reducing the number insured for disability from 93 million to 60 million.

Well, by that time the sentiment of the Congress was very much opposed to those cuts, and so was the sentiment of the country. Then the President said, "I will withdraw those last requests, and we will set up a nonpartisan commission, a very objective and fair commission, to study the problems of social security and to make appropriate recommendations."

So in December of 1981 the Social Security Commission was set up consisting of 15 members. Actually there were five active members appointed by the Democratic Party and supported by the Speaker. These five were the Honorable Lane Kirkland, head of the AFL-CIO, Senator PAT MOYNIHAN of New York, I from this House, Ms. Martha Keyes, a former distinguished Member of this House, and the Honorable Robert Ball, who had been for 12 years Commissioner of Social Security.

There were five active Democrats, as I said. There were two other Democrats, but they were appointed by the Republican Party and never worked with us. One was Mr. Waggonner, a former distinguished Member of this House, and another was Mr. Trowbridge, now head of the National Association of Manufacturers.

We started our deliberations under a very able chairman, Mr. Alan Greenspan, in December 1981. The Commission was supposed to expire at the end of December 1982 but by that time all that had happened was that we five Democrats had made some proposals that could be the basis of negotiation for a package to be submitted to the President and the Congress. The White House had not made any proposals, and basically the Republicans on the committee had not made any.

By that time the chairman appealed to the President to extend the life of the Commission. He extended it for 15 days. Finally, a week before January 15, the chairman induced the White House to enter into negotiations over the character of the recommendations of the Commission. We struggled over this matter. The number of participants in the negotiations increased.

Finally, on Saturday afternoon late of January 15, just a few hours before the expiration of the Commission by its extended life, we obtained an agreement supported by the distinguished Speaker, by the President, and by 12 of the 15 members of the Commission. We came up with a package that provided revenue of \$165 billion to cover the needs of the first phase of the problem, namely, the period from 1983 to 1989. The Commission agreement also solved two-thirds of the long-term deficit, which would bring the system into close actuarial balance. We were unable, however, to come to an agreement on closing the final one-third of the long-term deficit.

There was a schism throughout the deliberations of the committee, a schism that rages on this floor today. The question was, do we want to meet the problems of social security by cutting benefits, or do we want to preserve the structure we now have and meet those needs in some other way?

There was not a single permanent cut in the benefits to be received by the elderly now or yet to come in the recommendations of the Commission. I want to emphasize that. The Commission rejected a proposal that was first in the proposed recommendations, namely, that we reduce the benefits to those retiring at 62 from 80 percent of what they would get if they retired at 65 to 76 percent.

□ 1830

The proposal was rejected by the Social Security Commission, and so the Commission is on record as not making any permanent cut in social security benefits for the present or future recipients from that great program.

We came there that Saturday evening, January 15, and 12 of us had agreed to sign that package. There were many aspects of that that every one of us detested and strenuously opposed.

I never thought I would ever vote to take away a day from the cost-of-living increases that were paid under the existing law to the elderly. But that was in there, to cut out 6 months. I called the White House. I did everything I could to prevent any cut in the social security cost-of-living increases.

And then I never believed that I would vote to tax any of the social security benefits, and yet that package contained a provision that we tax for those in the higher income brackets one-half of their social security income, the half attributable to the employer contribution.

These were great sacrifices. But we had to measure and to balance what we were required to give up with what we were getting.

What were we getting? We were getting for the first time the commitment of the President of the United States and the Congress of the United States that social security benefits would be

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strong and solvent and sound at least 75 years in the future.

In addition when we put together that first package which 12 of us signed, there was not a nickel's cut in social security benefits to any recipient of social security now or in the future.

Well, what were we going to do that evening? Some of the members of the Commission thought we should cover the period of 75 years. I thought the Commission should finance the program for a 50-year period. The Executive Director of the Commission had informed the Commission that the taxes already levied would provide adequate protection for social security for the next 50 years, once we got over the temporary problem of 1983 to 1989.

I said that we cannot anticipate what conditions will be like with any reliability more than 50 years in the future. Let us not try to go beyond that. But the Chairman and evidently the larger opinion on the Commission was to finance the system over the 75 year period. So we had a dispute over a possible third of the long-term problem.

The Chairman, Mr. Greenspan, proposed to us Saturday evening, that since we cannot agree upon what we will do to meet that possibility of need in the last third of the 75-year period, the Commission will issue separate reports with respect to the remaining one-third of the long term. So the Republican group—and all of them were members appointed by the Republican Party—came up with a supplementary recommendation, and the Democratic group came up with its own recommendations as to how the last part of the problem should be met.

The Republican group recommended that we raise the age of eligibility. They proposed that in order to reduce the system's expenditure, the outgo from the fund enough to meet whatever the needs were in that advanced time.

On the other hand, we Democrats reaffirmed the principle of not cutting social security benefits. We still hope, we still believe that the economy of this country in some better day may be strong enough to afford even a better structured social security than we have today.

The average benefit today is only \$400 a month. So there must be a lot of people receiving benefits between \$300 and \$400 a month. There are millions more between \$200 and \$300, and there are a large number of people even between \$100 and \$200 in their monthly benefits. There are a lot of people today who have no income but social security, that are living in the direct poverty.

We were hopeful that maybe a day would come when we could better the lot of those unlucky and unfortunate people.

So what we have today is essentially the two recommendations of the two

groups. My distinguished friend from Texas, Mr. PICKLE, is one of the dearest friends I have in this body. He is one of the noblest friends I have in this body. When my dear wife was gone and he knew that I was suffering from dire sorrow, he asked me to go on a trip to get my mind off my sorrow. I shall never cease to appreciate his personal kindness and his great personal friendship. But what he is offering us today is essentially the Republican proposal offered after the conclusions of the Commission. What I am offering is exactly the recommendations of the Democratic five appointed by our great Speaker and told to go and do what was right.

That is what we tried to do, and that is the reason that we recommended as we did, that we preserve what we had achieved up to that moment—no cut in social security benefits.

There is a gentleman here in this body, a Mr. AL WHEAT, who is one of the distinguished new Members of this House. I hope he will mention it on the floor today—he mentioned the other day in the Rules Committee that just a week ago they had a referendum in his district in Kansas City, Mo., and in the referendum was the question: "Do you favor cutting social security benefits?" The referendum was 80 percent "No." Take any poll in America that has ever been taken and see if a single poll anywhere shows that the people propose and support cutting social security benefits.

So today we have to make up our minds. Are we going to cut social security benefits? Are we going to mar the message that we can give to our people?

I do not say this in any way at all with any partisan intent. I respect the two-party system. Thank God we have it. Thank God in this Congress, Senate and House, that not a single person is not a Democrat or Republican, and that has added strength to the great democracy that we have in America.

But the fact is I noticed on the last record of the votes on the tally board here a while ago, at the end of the Pickle amendment vote, that we who opposed the Pickle amendment because it cut benefits were some 30 votes behind. On that vote, 150 Republicans supported the Pickle amendment and only 17 voted against the Pickle amendment.

So, we might just as well be frank about it among ourselves. That is the Republican point of view all through the deliberations of this Commission, the effort of the Republicans, of the White House, the Members of Congress. Relying primarily on cutting benefits was set forth as the salvation of social security. On the Democratic side, we opposed this approach. We said we would not support cutting benefits.

If I may say so, on Thursday afternoon before we adjourned I called Mr. Stockman at the White House. I said, "Mr. Stockman, I want to speak to you

a few minutes if I may against that proposal in the package we are now considering to reduce from 80 percent of what they get at 65 to 75 percent of what they get at 65, people where he would retire at 62 years of age." I said, "Mr. Stockman, if that provision goes in this package I will not support it."

I spoke in 26 States in the last election, and in every place I spoke I held up the hands of a man or a woman and I said that he or she will not vote to touch, to cut social security benefits. It was the principal issue in the last year's campaign.

If you do not agree with me, ask the new Members who are here and see if most of them would not tell you that that is true in their case.

□ 1740

Now here is our dilemma, if some regard it as such: If we will pass this package as, of course, we must do and then if you will adopt my amendment, we can go proudly from this Chamber and say to the 26 million senior citizens of America and to their children, and we can say to those who will be the ancestors of those yet to be born, whether it is 10 or 15 or 25 or 75 years from now, "The Congress of the United States of America has said your social security package is secure and we have not cut social security benefits and we made it solvent and sound for 75 years."

Why would we want to violate the principle of maintaining benefits at the end when the rest of the package preserves the current benefit structure? The Commission agreement leaves only the slightest bit of imbalance in the period 50 to 75 years away. It is hardly necessary to adopt the approach of benefit cuts in order to meet the exigencies of that problem.

They say, "Oh, well, but are not people living longer?" Thank God they are. But we had two witnesses before our commission who testified on that subject: Dr. Jacob Feldman of the National Center for Health Statistics and Dr. Robert Butler of the National Institute on Aging. They testified that during the last 10 years the rate of longevity has increased by 10 percent, but, they added, during the same period of time the disability incidence rate of the elderly working people had increased by 26 percent. In other words, what assurance have we that that we are not reducing the benefits of people who are going to need it as bad as they do now?

Mr. DORGAN of North Dakota and I were making a TV taping to be broadcast back in his state. During that taping he told me, "The other day in my State of North Dakota a lady approached me and said, 'Mr. Congressman, please do not cut benefits for those who retire at 62 years of age.' She said, 'I am just praying that I can last a few months longer because I have arthritis so bad I can hardly get out of bed in the morning.'"

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My dear friend, under Mr. PICKLE's amendment, that lady's benefits would be cut 12.5 percent from the amount of benefits she would be entitled to under the present law of this land.

The truth is that about half of the people who retire at 62 do so for reasons of ill health. An additional 20 percent are forced out of the labor market because they have been discriminated against on account of their age.

I suggest that we just don't know whether or not the need may be just as great out there in the future as it is today. The other day when I was testifying before the Ways and Means Committee on this matter, I looked around the room and I said, "I do not see any of these people that we are voting on to cut their benefit out there in the year 2008, 2017." I do not see any of them here today. Somehow I do not feel just right about exerting the privilege of relying on the law of the present and retiring at 65, but saying a man in the year 2000 or 2022 cannot retire when he is 65, he has to wait until he is 67. Why do I need to do that? Is that quite fair to him that I pre-judge his eligibility for these receipts and the desirability of giving them to him?

So, what I am proposing is we simply increase the payroll tax by 0.53 percent. Even if the worker had a salary of \$36,000 a year my amendment would add only \$190 in a year to the taxes that man would have to pay. Only 20 percent of the American people in their work make over \$20,000 a year. So my amendment would not cause the expenditure of very much more.

Furthermore, the Democratic five on the Commission expressed gravest doubt as to whether there will be any money at all needed in the last 25 years of the 75 with which we are dealing. Our estimate is—based on the work of technical people of great competence—that the money provided under the Commission agreement social security will come within 4.1 percent of meeting the projected need of the old age and survivors and disability insurance programs over the next 75 years. The social security actuaries will tell you that when you are dealing with estimates of 50, 75 years in the future, if your income and outgo are off only 5 percent, it is an acceptable figure that you have.

Furthermore, if my amendment is put in effect, when the Congress gets out nearer to the time that it would begin to take effect, if they do not anticipate there will be a real need for supplemental funds, all Congress has to do is to modify it or rescind it. But once you have frozen into the law the principle of cuts in benefits by reducing the benefit formula or by raising the age of eligibility, that will remain with us into the distant future.

So, I am saying to you, my colleagues, those people out there have suffered enough under this proposal,

this package. I have had to look into their face as their friend, as if I was their attorney and say, "Listen, I did not come out as well as I wish I could have in your case. I tried my best but I did not win all the things that I sought to achieve. You are going to have to pay a considerable price for the enjoyment of the boon of social security in the years ahead. But, my friend, I want to tell you one thing, that withholding of the cost-of-living increase is only for 6 months. You only pay taxes on one-half of your social security benefits even if you are of the few who would be affected. The part of your benefits attributable to your half of the contribution would still be tax free, and it is still less than the tax you would have to pay on the benefits you receive from the civil service retirement fund. But I want you to know that in return for that we brought you back something you can cherish. It will give assurance to you and your family that you have not enjoyed. You may now be sure that your social security protection will not be cut.

Many an elderly person in America has quaked in his or her tracks wondering from all they had heard coming out of Washington as to the dangers of social security, whether or not they would ever get another social security check. And these young workers all over America, skeptical and cynical, have been saying, we have been ripping them off, making them pour their hard-earned dollars down a rat-hole that will never yield them anything in the future because they say, "Well, by the time I get to 62 or 65 there will not be any social security. If there is, it will not be anything but a shell and there will not be any money there for me."

I have personally noticed, as I go around the country, in airports and other places, since this package has been before this House, the number of young people who walked up to me and said, "We appreciate what you are trying to do for us on social security. Not just for my mother and father and my aunt and uncle, but for me as well."

□ 1750

We have restored their confidence when we enact this measure that their Government really did care about their social security program. Their Government was committed as a point of honor to keep it strong and solvent and sound.

Mr. Chairman, I wish this House could follow the lesson and the example of the Social Security Commission and reject any effort to contaminate the compromise package with any cuts in social security benefits. If we will do that, this will be a monumental day in the history of this country. It will be a day that will mean an awful lot because I just add this: Social security gives something more than money to people over this country. If I may use

a personal experience. Last summer one of my brothers and I went back to east Alabama, where I was born and reared. And I visited with a lot of old relatives and friends all over that dear part of America.

One afternoon I was sitting in a neat little home in Birmingham, talking to a first cousin of mine, a lady with whom I grew up in east Alabama. She was telling me about her two fine sons and she was so proud of them. One was a minister who had just been promoted to some prestigious position. The other was a businessman who was doing well. Suddenly I said, "Eunice, do you have social security?"

She said, "Oh, yes, I have social security."

"Well," I said, "you are all right then, aren't you? You have got your two fine sons to help you and you have got your social security."

She drew herself up and said, "I have got my social security, I don't need my sons to help me. I don't want to be a drag on my sons. They have got children to support."

What parent in America wants to be a burden upon his or her children no matter how faithful and loving they are? And yet here we twiddle over giving them a few more dollars a month, keeping them from being crushed from poverty down to misery, giving them the right to sustain that dignity. That is characteristic of this great country.

I have done all I could. I leave the decision to my colleagues whether you are going to preserve this great institution in its integrity.

Mr. Chairman, I have a prepared statement which I would like to include at this point in the Record:

Mr. Chairman, I ask for unanimous consent to revise and extend my remarks.

Mr. Chairman, today this body will be asked to make a very difficult decision. We will be called upon to act on a set of admittedly imperfect recommendations arrived at by the National Commission on Social Security Reform. The compromise agreement contains some provisions which I could not support as individual proposals. But there are a host of very compelling reasons for this body to adopt the legislative embodiment of the Commission agreement.

The most immediate reason is time. Under current law, the interfund borrowing authorized by Congress has expired. The last loan from the disability insurance fund will help finance the uninterrupted payment of old age and survivors' insurance benefits through the end of June. If we fail to act, these benefits—the lifeblood of 31 million people—will be delayed.

The most compelling reason is fairness. I believe the Commission package represents a fair and equitable sharing of sacrifice. Beneficiaries are asked to defer their cost-of-living adjustment, or COLA, for 6 months.

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Those with the highest incomes will pay more in income taxes; those at the low end will be protected from the COLA delay. Workers are asked to pay higher payroll taxes in 1988 and 1990, and Federal workers are asked to participate in social security for the first time. The self-employed are asked to contribute more, only partially offset by an income tax cut. Even the general revenues will pitch in. Everyone in America will give a little in order to get a lot.

The changes in the Commission agreement are designed to make the social security system safe, solvent, sound, and secure, for now and for future generations. The Commission agreement will provide the means to more than finance social security's obligations over the next few years, for the next half century, and will bring the system into close actuarial balance over the long term.

This brings me to the most important reason for acting favorably on the Commission's recommendations. The bipartisan agreement preserves the current law level of benefits, for now and for future generations. Mr. Chairman, this is the very heart of the matter, and this is what my amendment is all about.

The House has before it three choices. Two of them involve cutting benefits. My amendment will restore the current law level of benefit protection guaranteed in the Commission agreement.

The Social Security Act Amendments of 1983 as reported by the Committee on Ways and Means are primarily based on the Commission compromise. Unfortunately, the committee bill takes a radical departure from the bipartisan Commission agreement. Contained in title II of the committee bill is a 5-percent benefit reduction for future beneficiaries—today's contributing workers. That is one alternative.

Next we have the amendment just offered in the Committee of the Whole, the substitute offered by Mr. PICKLE. The Pickle substitute would raise the age of entitlement to full benefits, and would substantially reduce benefits to early retirees. This benefit cut is the second alternative.

Finally, there is the pending amendment. My amendment in the nature of a substitute to title II of the bill is quite simple and straightforward. There are no gimmicks, no complex phase-ins, no benefit formula adjustments. My amendment preserves the current law benefit structure. I believe that this is the only real alternative.

TWO POOR ALTERNATIVES

Committee bill: The Commission agreement, embodied in title I of the committee bill, reduces the system's long-term actuarial deficit by 68 percent. Taken alone, this restores the social security system to close actuarial balance. In order to address the remaining 32 percent, the committee bill contains a provision to reduce the benefit replacement rate which deter-

mines the real benefit level of present and future beneficiaries.

Under the committee bill, the percentage factors in the benefit formula would be decreased during the years 2000-2007 so as to reduce the average worker's replacement rate from 42 to 39.9 percent. This amounts to a reduction in the initial benefit levels of workers now 45 years of age. A full 5-percent reduction would await workers now 37 years of age.

This technical-sounding proposal reduces benefits in an insidious and surreptitious manner. Over time, the benefit protection of future workers is reduced upon initial entitlement and is further ratcheted down because cost-of-living adjustments are applied to a lower base. The result of this replacement rate reduction would be to guarantee a lower relative standard of living for future beneficiaries—today's contributing workers.

Under the 1977 amendments, the social security replacement rate was stabilized. The replacement rates are 53 percent for a low-income worker, 42 percent for an average earner, and 28 percent for a worker at the maximum wage base. These replacement rates are frozen in perpetuity, absent action by Congress.

The average retired worker benefit is under \$5,000 a year—barely over the poverty line. And since the social security replacement rate is frozen, average benefits in the future will remain close to future poverty thresholds. So all this proposed reduction in the benefit formula will accomplish is to drive more people into poverty.

I know that as we consider the remainder of the long-term deficit, it will be difficult to ignore the temptation to cut benefits. Some may consider reducing the benefits of young workers far off in the future the politically expedient thing to do. Others may even tout it as an "act of courage." I fail to see how reducing the incomes of the aged and disabled constitute "courage" simply because they are affected in the distant future.

PICKLE AMENDMENT

The Pickle amendment would increase the age of entitlement for full benefits. In addition, benefits would be reduced for all those who claim benefits at an earlier age. This proposal is also a benefit cut. However, the reductions disproportionately affect those who lose their jobs or are unable to work because of poor health.

The arguments against this proposal are compelling, overwhelming, and have been stated at length before the Commission and the House. I will briefly summarize them. Raising the age eligibility for full benefits:

Ignores the need of a substantial number—possibly a majority—of older workers to leave the labor force before age 65.

Uses compulsion when market forces and incentives are preferable in encouraging later retirement.

Attempts to force older people to work longer by cutting benefits but does not eliminate impediments to employment or assure jobs.

Assumes that because longevity is improving, health is improving in tandem with longevity. It is not.

Meets the entire long-range deficit remaining after the Commission agreement by cutting benefits.

Mr. Chairman, I would like to share with my colleagues the findings from testimony presented before the Commission by Dr. Robert Butler of the National Institute on Aging and Dr. Jacob Feldman of the National Center for Health Statistics. Dr. Feldman reported not only that work disability rates increase with age, but that the work disability rates within each age group of older workers have been increasing during the last decade. "Remember," he says, "this was the period of the rapid decline in death rates for men of that age."

Dr. Robert Butler, former director of the National Institute on Aging, told the Commission that early retirees tend to be nonwhites and in physically demanding occupations. Minorities have poorer health and higher mortality rates than whites. In 1978, the number of deaths was nearly twice as high for black men age 55 to 64 than white men in the same age group. In addition, the percent of minority men age 55 to 64 who are unemployed is higher than white men in that age group.

In essence, Mr. Chairman, people may be living longer, but millions will live with chronic and disabling health conditions. They will not have the choice of working for 2, 3, or 4 additional years. They will simply have to retire at age 62 at benefit levels 12½ percent below current law.

Let me be very clear about this. Merely increasing the age of entitlement saves very little money. The bulk of the savings comes to the extent that workers must accept reduced benefits because ill health precludes their working any longer. It is the 12½ percent cut in early retirement benefits—from 80 to 70 percent—that achieves the savings in the Pickle amendment.

As an 82-year-old (or young) worker, I know that this proposal should have a certain amount of attractiveness. I know many people, working past the traditional "age of retirement," who favor this proposal. But I suspect that many of these people are engaged in self-satisfying occupational pursuits which are less than physically demanding.

On the other hand, millions of workers joined the labor force at a young age, foregoing a college education. Many have worked for 45 years or more by the time they reach age 62. A large number are engaged in physically debilitating labor. They simply do not have the capacity to remain in the work force any longer.

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CUTS IN BENEFITS UNNECESSARY

If this is true, why are these two options to cut social security benefits being given such serious consideration? I suspect that the remaining long-term actuarial deficit has convinced many of my colleagues that the system needs "fundamental reform." I would like to put this issue into some perspective.

LONG-TERM FINANCING: CURRENT LAW

Although much is said and written about the projected status of the trust funds 75 years from now, the truth is that very little is known. Assumptions made with respect to inflation, wage growth, GNP, employment, longevity, immigration, interest and birth-rates are just that—assumptions. I would submit that there will be other factors which affect OASDI financing, ones we cannot even contemplate at present. That will emerge in the future. In short, I believe that we should approach the long-term financing of OASDI with due humility and respect for the limitations of our ability to predict a future three-quarters of a century away.

As projections are made further into the future, accuracy and reliability markedly diminish. Most nations with social insurance systems make 25- or 50-year cost projections, but almost never beyond the latter. Only the United States and Canada make 75-year actuarial projections. With this in mind, it is important to note that virtually all of the problems associated with long-term OASDI financing occur during the last 25 years of the 75-year valuation period.

The most striking aspect of the long-range financing picture is that under current law the OASDI programs are in close actuarial balance over the next 50 years. Demographic trends very favorable to OASDI financing which allow the buildup of large trust fund surpluses during the 1990's and the first decade of the 21st century account for this little-known fact.

Even absent any long-term financing measures by Congress, the cash-benefit programs are adequately financed for the next half-century. The reliability of estimates beyond 50 years are questionable at best. At worst, the projections for 50 to 75 years in the future have served as a rationale to make dramatic changes in the obligations of the Nation's social insurance system. Because the system relies on the contributions of participants whose benefit obligations may not be paid for decades, I have opposed dramatic changes in social security's benefit obligations based on assumptions about what may or may not occur 50 to 75 years from now.

Nevertheless, I have supported efforts to bring the OASDI programs within close actuarial balance along the lines of the National Commission agreement. As the provisions of the Commission agreement indicate, it is possible to close the 75-year financing

gap without reductions in benefit protection.

When the long-range estimates are considered in perspective, it is not difficult to see how this is true. With no changes in current law, the average annual cost of OASDI is 14.38 percent of payroll over the next 75 years. During that time, the present law average annual contribution rate is 12.29 percent of payroll, leaving a deficit of 2.09 percent of payroll.

Virtually all of the deficit accumulates during the final third of the 75-year valuation period, when the estimates are the least certain. Moreover, the shortfall amounts to 14.5 percent of program expenditures. In fact, the closer one examines the long-term financing of social security, the more that claims of impending calamity and intergenerational warfare ring hollow.

LONG-TERM FINANCING AND COMMISSION RECOMMENDATIONS

The recommendations of the Commission, as contained in title I of the bill, are known as short-term recommendations. If the truth-in-lending law were to apply to pending bills, however, this title might be called long- and short-term recommendations.

The provisions in title I reduce the deficit over the 75-year valuation period as a level which the social security actuaries regard as statistically insignificant. Enactment of these provisions—without the long-term cuts contemplated in the committee bill or the Pickle amendment—reduces the estimated deficit to within 0.68 percent of payroll. This would bring estimated revenues to within plus or minus 5 percent of estimated outlays, or within close actuarial balance.

It is an irony of the highest order that both of the pending benefit reductions triggers in during the first decade of the 21st century. The very estimates used to justify these cuts project that the trust funds reserves will be at their highest level in history: More than 200 percent of estimated annual outlays. Yet, this would be the very time that substantial benefit cuts would occur.

In short, Mr. Speaker, reducing benefits for today's young workers is not only unwise and unfair, it is unnecessary. Neither of the pending benefit cuts belongs in this refinancing legislation. There are far superior ways to finance the system's benefit obligations.

A FAIR ALTERNATIVE

My amendment would institute an employer/employee tax rate increase of 0.53 percent in the year 2010. This would increase the FICA tax rate from 6.2 percent which, under present law goes into effect in 1990, to 6.73 percent. Moreover, my amendment would preserve the self-employed net tax burden contained in the committee bill by adjusting the SECA tax credit to 2.1 percent of self-employed income. This amendment reduces the long-range OASDI deficit to exactly zero

while maintaining current law benefit levels.

My amendment has several other advantages over the benefit-reduction approaches:

FLEXIBILITY

Mr. Chairman, no one in this Chamber knows for sure whether the additional financing contained in title II of the bill will be necessary or not. We are simply making the best guess we can. I am inclined to believe that the assumptions in SSA's long-term forecasts are quite conservative, especially with respect to the birth rate and the immigration rate. But even under these assumptions, we have brought the system as close to long-term balance as the actuaries expect under their criteria. There is simply no need to lock in the type of magnitude or benefit reductions proposed by the committee bill or the Pickle amendment.

My amendment allows the greatest degree of flexibility to meet the system's anticipated need in the years 2022-2057. Should the additional financing provided in title II of the bill prove to be unnecessary, my intention is that Congress would repeal the tax rate increase provided in the amendment. I have little fear that Congress would allow an unnecessary tax increase to remain in the law.

The other two alternatives before the House would lock in substantial reductions which would be difficult to repeal. Pension plans for millions of workers are integrated with social security and contributions to the plans are set to the social security benefit level. A report prepared for the Senate Special Committee on Aging found that a reduction in the social security benefit formula would cost private pension plans billions of dollars annually. There would be an additional cost to the taxpayers amounting to billions of dollars to the extent that these contributions are written off as a business expense.

It is anticipated that raising the age of eligibility for full benefits would trigger a parallel increase in private pension plans. Tomorrow's retirees would find themselves in double jeopardy—losing private pension plan protection at the same time they are losing social security protection. My amendment would avoid locking into law permanent reductions in benefits.

S. POSITION

Time and time again, Mr. Chairman, this House has gone on record in its opposition to reductions in social security. Yet the committee bill resolves 60 percent of the long-term problem with cuts in basic benefits. I can assure my colleagues that the situation will be no better in the Senate. In fact, it is anticipated that in the other body, the entire long-range deficit will be addressed by cutting benefits. I would submit that giving away 50 percent of our position—against cutting benefits—before going to conference is not

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the best negotiating stance for this House to adopt.

Mr. Chairman, if the committee bill provision is adopted, the range of options before the conferees is extremely limited. The conferees would be constrained between a choice of solving the long-term problem completely with benefit reductions and a choice of addressing at least 60 percent of the deficit with benefit reductions. On the other hand, if the amendment offered by Mr. PICKLE is adopted, the conferees will be put between a rock and a hard place.

If we are to preserve the maximum freedom of the conferees to act, my amendment is the only alternative.

TAX BURDEN WILL NOT INCREASE

One of the biggest myths surrounding social security is the misconception that the payroll tax burden on contributing workers will increase to unwieldy levels in the future. In fact, Mr. Chairman, the payroll tax burden as a proportion of future workers' compensation will decrease.

According to the intermediate set of assumptions used in the 1982 trustee's report, a real wage growth will proceed at the rate of 1½ percent per year—a relatively modest growth project. But under these assumptions, a future worker's payroll tax contribution will be no larger, as a proportion of his total income, than that of his present-day counterpart.

This is because of the remarkable stability of the system's future costs. Traditionally, the long-term cost of OASDI has been measured in terms of taxable payroll, which the Social Security trustees believe will substantially shrink over the next 75 years. The trustees' projections assume that cash wages (which are subject to the payroll tax) will decline from 84 percent of total compensation at present to 62 percent. However, if the cost of OASDI is measured in terms of the relative burden on current and future workers, it becomes clear that the cost of social security cash benefits will, on average, remain virtually the same as it is today.

For example, if it is assumed that the taxable wage base does not erode substantially (that workers continue to receive 84 percent of their compensation in the form of wages), then fully one-third of the entire long-term deficit (9.6 percent of taxable payroll) is eliminated. Under this assumption, revenues would increase enough to cover the benefit obligations projected under current law (about 14 percent of payroll). However, higher earnings credits would boost benefit obligations to about 15.2 percent of payroll, leaving a gap of 1.2 percent of payroll or about 7.8 percent of program expenditures—just outside the range of close actuarial balance.

On the other hand, if Congress were to adjust the payroll contribution rate for the erosion in the payroll tax base anticipated by the trustees, virtually the entire long-term deficit of the

system (1.85 percent out of 2.09 percent of payroll) is eliminated. Although this particular method of maintaining the system's revenue base at its current level would have negative income redistribution effects, I have included it as an illustration of how closely the current OASDI benefit structure conforms with our ability to finance it.

As a percentage of gross national product, the OASDI programs are remarkably stable over the long run. Under the alternative II-B assumptions, cost as a percentage of GNP dips from its current level of 5.16 to 4.97 percent in 1990, 4.53 percent in 2000 to a low of 4.35 percent in 2004. With the projected relative decrease in workers-to-beneficiaries, systems costs begin to rise to 4.92 percent of GNP in 2015, 5.9 percent in 2025, and peak at 6.1 percent in 2030. Thereafter, the cost of OASDI drops steadily, reaching 5.4 percent of GNP in the year 2060.

The relative stability of OASDI costs as a proportion of GNP is shown by table 3. Over the entire valuation period, the expenditures of the cash-benefit programs are projected to be 5.28 percent of GNP—roughly what they are today. Even under the pessimistic assumptions, the long-term cost of OASDI is 6.7 percent of GNP.

TABLE 3.—ESTIMATED COST OF THE OASDI SYSTEM AS PERCENT OF GNP BY ALTERNATIVE, CALENDAR YEARS 1982-2056

Alternative	I	II-A	II-B	III
1982	5.07	5.08	5.16	5.19
2056	4.37	5.49	5.54	6.61
25-year average				
1982 to 2006	4.25	4.40	4.75	5.25
2007 to 2031	4.67	5.11	5.30	6.50
2032 to 2056	4.70	5.67	5.78	6.34
75-year average: 1982 to 2056	4.54	5.06	5.28	6.70

CONTINUED SUPPORT OF YOUNG WORKERS

Perhaps the most important reason, Mr. Chairman, for approving this amendment is the future viability of the social security system. It is common to think of social security in terms of its worth to the elderly. But at the core of the system's viability is the support of millions of contributing workers. It is those 116 million contributors to whom we must pay close attention to as we consider our choices today.

The commission agreement asks each and every one of these workers to pay a tax increase. No one wants to pay more in taxes, and certainly no one wants to vote for increased taxes. But the payroll tax is a relatively popular tax, if there is such a thing. National poll after poll demonstrates that young workers would rather pay increased taxes if necessary to protect their benefits.

Today's workers are very much aware of the vital disability, family and survivor protection they receive in their young working years, as well as the wage-indexed, inflation-proof old age protection they can look forward to. No wonder they overwhelmingly

support the social security system, even if they must pay higher taxes.

But this support is contingent upon the honor and integrity of the Congress to uphold the commitments made to contributing workers. It is one thing to increase their contribution rate; they will support that. It is another matter, however, to turn around and reduce the benefits of these same workers when it is their turn to collect. Not only is it unfair to these people, it is poor public policy to endanger the support of the system's lifeblood—the payroll contributors.

Mr. Chairman, the heart of my amendment is the issue of confidence. Can the 36 million beneficiaries of the system remain confident that young workers will continue to support social security? Can the 116 million contributors remain confident that Congress will uphold the future benefit obligations made to them? Can Americans remain confident in the integrity of their Government to honor its commitments to them?

I hope that this body will answer these questions in the affirmative by approving my amendment.

Mr. CONABLE. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, allow me to express my respects and those of my colleagues to the distinguished gentleman from Florida. We know he is a great fighter and that he is absolutely sincere in his fight for his views of what is appropriate in social security.

Mr. Chairman, we do believe on this side, however, that the burden of proof is on those who wish to raise taxes further. Senator PARRER's cousin's fine sons do help maintain their mother in social security through their taxes. The money does not come from nowhere.

I would like to report that at this time on this side we have no further requests for time. However, I will reserve the balance of my time.

Mr. PEPPER. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois (Mr. DURBIN).

Mr. DURBIN. Mr. Chairman, almost a half century ago, men and women stood in this Chamber and debated the creation of social security. Critics of the program, primarily from the other side of the aisle, labeled the concept dangerous, socialistic, and unworkable. Those in the New Deal who labored to create social security did so with a vision that our elderly in generations to come would live in dignity and independence.

I stand here today as a beneficiary of their vision. Our grandparents, parents, and millions of Americans live richer and fuller lives because of that vision.

But each generation must carry its burden for the future and as a new Member of Congress I have been called upon early in this session to face the difficult choices as to the future of social security.

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I rise today, having made my choice, to support the Pepper amendment. And I do so for several reasons.

First, the provision in the Pickle amendment, which raises the retirement age, actually reduces benefits and is part of a long-term solution which I consider wrong-headed and dangerous. To face the coal miners in my 20th Congressional District, who have lived a life fighting off black lung and tell them they must wait 2 more years, 2 more years for retirement in generations to come, is a burden that I would not take home lightly.

To force recipients 18 years from now into a level of reduced benefits is to deny the basic goals of social security, the dignity and independence which our predecessors fought so hard for 50 years ago.

I concede the inherent fallibility of this process. Only 5 years ago, men and women in this Chamber, stood and announced to our Nation that they had saved the social security system and they were convinced that they had insured its financial integrity for years to come. They were mistaken.

Our efforts today are an attempt to right the balance in the most successful social program this Nation has ever conceived or created. What if we are wrong today?

The Pepper amendment and his approach gives us more flexibility than any alternative, primarily because it does not force recipients to make difficult and irreversible decisions early in their working careers. Increasing the retirement age could force decisions by people my age in their selection of personal retirement plans which might not be remedied or modified without considerable expense or hardship.

If we are wrong today and our economy makes a better recovery than we envision, we have it within our power to reduce or eliminate this future tax.

The choices before us are not easy. But if our predecessors in this Chamber had the courage to create social security, let us today have the courage to insure its integrity in the future.

Senator PEPPER's amendment continues that fine tradition, a tradition and a vision of independence and dignity for senior citizens. I proudly support Senator PEPPER's efforts and urge my colleagues to join me.

Mr. SIMON. Mr. Chairman, will the gentleman yield?

Mr. DURBIN. I yield to the gentleman from Illinois.

Mr. SIMON. I thank the gentleman for yielding.

Mr. Chairman, I simply want to join the gentleman. I think one point that the gentleman makes we have to keep in mind. If this were social security for white collar workers then we would not need the Pepper amendment, but what we are talking about are waitresses, we are talking about women who work in dress factories, we are talking about coal miners, people who

are exhausted by the time they get to be 62 and 63 and 64.

I commend the gentleman from Illinois and I agree with him.

Mr. DURBIN. I thank the gentleman.

Mr. PEPPER. Mr. Chairman, with apologies to my many friends that I would like to give longer time to, I regret to say that I have consumed so much time myself and I have to reserve a little at the end, I am only going to be able to yield 1 minute each. But I do want every Member who would like to say something to be able to.

Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts (Mr. FRANK).

Mr. FRANK. Mr. Chairman, I believe that the problem that we face today is part of an unfortunate trend. It is an unfortunate trend—that we have seen too much of in the country and I guess we are beginning to see it in the House—of not fully understanding the nature of the work that so many of our fellow citizens do.

It is nice to talk about the era of the pushbutton and the computer and high technology. The fact remains that tens of millions of Americans now still and will in the future be working with their hands and their bodies in circumstances that are not always pleasant, in temperatures that are not conducive to good health. People who bend over machines and wield jackhammers and do all of the difficult physical labor ought not to be told by this Congress that they will no longer have the option of retirement at 62. Then we are told, "Well, don't worry, they can go and apply for disability."

□ 1800

For people to say that, given what has happened with disability in the past couple years, is a cruel joke. We have people now in control of the disability administration who think they have discovered miracle cures. They lay on the hands and people are cured.

We have to adopt the Pepper amendment and respect the nature of hard work.

Mr. CONABLE. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio (Mr. WYLIE).

(Mr. WYLIE asked and was given permission to revise and extend his remarks.)

Mr. WYLIE. I thank the gentleman for yielding.

Mr. Chairman, I did not intend to speak on this amendment, but I feel constrained to do so now and I must reluctantly oppose the amendment, since the fine gentleman from Florida offered it and I might otherwise perhaps be in favor of it.

It does increase the tax in the bill. That is abhorrent to me.

I wanted to make the observation that we are legislating by consensus nowadays it seems. Last week we had a consensus jobs bill. Today we have a consensus social security bill. Those

subjects had to be addressed immediately and it is to the credit of President Reagan and House Speaker O'NEILL and others in leadership positions in both the House and the Senate that these problems of national importance are being addressed in this manner.

That the Speaker is cooperating was evidenced by the fast gavel on the previous question earlier in the day.

Mr. O'NEILL. Will the gentleman yield?

Mr. WYLIE. Yes; I will be glad to yield.

Mr. O'NEILL. Was the gentleman on the floor at that particular time?

Mr. WYLIE. Yes; I was on the floor.

Mr. O'NEILL. Then he had an opportunity, because I looked to both sides and the only gentleman on that side that even made a move was the gentleman from Pennsylvania (Mr. WALKER).

The gentleman did not stand. The gentleman did not rise.

I resent the statement of the gentleman.

Mr. WYLIE. Well, I am sorry if the Speaker was offended.

Mr. O'NEILL. I acted in absolute complete fairness and had intended to do so all the way. Had there been anybody to stand, I would have recognized him.

Mr. WYLIE. Sir, I did not mean to suggest that the Speaker was not acting in fairness at all. What I was suggesting was that we do have a consensus bill here that the gentleman has worked with the President of the United States—

Mr. O'NEILL. That is not what the gentleman said. The gentleman said I had a fast gavel and it was not a fast gavel. It was the normal procedure of this House and on a bill of this type I would never do a thing like that.

I left the opportunity not only for a vote on the previous question, but for a vote on the rule and there was not a man on either side of the aisle that stood.

Mr. WYLIE. Well, I respectfully suggest, sir, that I did not mean to offend the Speaker and it was not—

Mr. O'NEILL. Well, the gentleman has offended me, perhaps unintentionally, and I will accept his apology.

Mr. WYLIE. I am sorry for that.

But in any event, Mr. Chairman, I have concluded that we must face reality and pass the bill before us today. We cannot admit to a shortfall in the social security fund of \$200 billion in the next 7 years and do nothing about it.

Social security recipients must not be intimidated by the thought of bankruptcy in the system. I do not like some parts of the package—

The CHAIRMAN. The time of the gentleman from Ohio (Mr. WYLIE) has expired.

Mr. CONABLE. Mr. Chairman, I yield 1 additional minute to the gentleman from Ohio.

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Mr. WYLIE. I thank the gentleman for yielding.

Mr. Chairman, I do not feel it is in the best interests of the Federal workers or of the social security system to have Federal workers merged into the social security system. I think it would be better to have a broader base of separate pension programs, rather than throw them all into one massive system. Including Federal employees does not under present financing arrangements help solve the problem, since the Federal employees' retirement program is not in itself self-sustaining.

This bill is a major accomplishment. A consensus was reached as to how the immediate crisis could be solved and social security kept solvent for at least the next 30 years.

The bill provides a forum to avoid a bitter partisan battle over social security so we can go on to other problems.

It would be easy to vote no because the Federal employees are included or because self-employed people are included.

Yes; there is a lot to disagree with in this bill, but overriding all this, it seems to me is the fact that we do not have any better alternative. I have concluded a no vote would be worse than an aye vote.

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota (Mr. VENTO).

(Mr. VENTO asked and was given permission to revise and extend his remarks.)

Mr. VENTO. Mr. Chairman, I rise in strong support of the Pepper amendment to H.R. 1900.

We have a basic choice to respond to the long-term deficit problem facing the social security system. The Pepper approach suggests that we do so by raising the tax about one-half percent in the year 2010. I for one do not object to that increase in cost of the mature social security system. Remember that all of the money collected by the social security program goes to pay the benefits of the program, in essence, it goes to the survivors, the spouses, the retired workers of America.

It is always difficult to propose tax increases to pay for programs that is one of the major problems with today's Federal fiscal policy.

While social security problems can be counted as \$2 or \$3 billion of shortfall, the rest of the Federal budget deficit shortfall is counted in the hundreds of billions. This social security system and its benefit structure are sound, far more sound than some critics would have us believe today.

The Pepper approach to dealing with the long-term deficit, indeed if there is one in the year 2010, is appropriate, it keeps faith with today's workers.

On the other hand the Pickle amendment which just passed and hopefully we will now overturn, breaks faith with the American workers. The

Pickle amendment will resolve the long-term deficit problem by cutting benefits in a unique way.

The Pickle approach will save that revenue because many potential recipients will indeed not live to gain the benefits that they otherwise would have been paid under the existing social security—the current social contract.

It literally saves the social security system by running it and makes it gain on the bones and the death of the potential beneficiaries. I think this is wrong and urge my colleague to reject the Pickle approach.

We do not have to break faith with the American worker, we do not have to pull the rug out from under the group in our society who will be asked to pay the highest taxes both payroll and other domestic taxes of any generation in our history.

Mr. Speaker, let me address one unique argument that the proponents who urge us today to raise the age to 67 for full social security benefits, that life expectancy has and perhaps will increase dramatically justifying this change.

Let me point out the truth and the fact and at once the fallacy of this supposition.

Yes, life expectancy has increased dramatically however, working life expectancy now and in the future can better be expressed in months not years.

The fact is that workers who started working at the inception of the social security program are little different from today's workers. Therefore what the Pickle amendment amounts to is a significant cut in benefits, virtually a reneging, a shrinking from the great social contract that social security represents.

To many Members they may feel that we are dealing with something that does not matter very much, that in essence nobody will notice this raising of the retirement age. I can tell you that you are wrong, it will be screamed in the headlines across this country, it will do more to break the confidence than any recent action, the confidence of Americans in this Congress, at the first opportunity we will have withdrawn from a long-standing commitment and really shattered the dreams of workers across America.

I simply can not understand the logic of this Congress, this House reaching out over 20 years to create this type of credibility gap, creating a loss of confidence in the institution of social security.

We would be well advised to adopt the Pepper amendment and keep our problem solving to the near and mid-term social security issue and leave a few questions to future Members of this distinguished body.

It could almost be comical today if the implications of this change were not as profound as they are. It is ludicrous to assume we will do anything

but harm if we do not move to pass the Pepper amendment.

Mr. Chairman, we are sitting and looking today at a very unique situation. I for one am not offended by the Pepper approach in terms of raising taxes by a half percent in the year 2010 in order to provide benefits for those that are on social security.

I would remind my colleagues in this House that all the money that is paid into the social security program indeed is paid out to the recipients, generally to the aged and the others we have classified.

The only way the proposition of the gentleman from Texas (Mr. PICKLE) actually saves money is because a lot of people that otherwise would engage the benefit will not. To a large extent it is because they are going to be dead. That is the way that it saves money. That is one way to do it. This is the other way.

I think this breaks faith with the social contract that exists, because indeed while life expectancy has increased dramatically, working life expectancy has not, and the consequence of that is that we will be breaking faith with those workers today in a mature system of social security that we are asking to pay the greatest amount of any participants in history.

Let us vote up the Pepper amendment and then pass this social security package—a package I must say that is a bitter pill to accept but necessary because of the dire condition in our economy. The price of a failed economic policy.

I can support this package without the Pickle amendment with little enthusiasm, but with Pickle I feel the basic fabric of this compromise package is torn.

So let us vote for the Pepper approach and pass this package today.

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the able gentlewoman from Ohio (Ms. OAKAR).

(Ms. OAKAR asked and was given permission to revise and extend her remarks.)

Ms. OAKAR. Mr. Chairman, I support the Pepper amendment. If the Pickle amendment prevails, it will be devastating for women. For women, social security is their only retirement benefit and now it is about \$250 a month. If women retire at age 62, it is about \$189 a month. It will not be that much better in the year 2000.

The Pickle amendment cuts that benefit 12½ percent if they retire at 62 and 20 percent, it is estimated, if they retire at 67.

Now, Mr. Chairman, studies show that the mortality rate of women is declining and their disability rate is rising. If the Pickle amendment prevails, women will be in trouble.

I want to just tell this male-dominated body, whom I respect, women are tired of seeing the budget cuts that affect them, the discrimination in insurance and pensions and now what

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you want to do to women is to clobber them with the Pickle amendment. It is unfair.

Who do you trust? Do you trust the original Reagan proposal or do you trust Senator CLAUDE PEPPER? I trust Senator CLAUDE PEPPER and I hope you support his amendment.

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the able gentleman from Ohio (Mr. STOKES).

Mr. STOKES. Mr. Chairman, first, I want to congratulate the gentleman from Florida (Mr. PEPPER) for the excellent statement he made in the well today. He has had many fine hours in this Chamber, but today certainly was his finest hour.

I want to say to him that I think that we are indeed fortunate that he has offered this amendment and if we support this amendment, we have an opportunity this afternoon to correct a very inequitable and unfair situation.

I am concerned particularly about the effect of a reduction in benefits when people receiving their checks are already receiving checks that are at about the poverty line. When we consider the fact that the average check is about \$406 per month, or about \$4,800 per year, and the poverty line is \$4,500, then we realize that an additional cut on these people is certainly unfair and inequitable.

In addition to this, the speaker right before me, the gentlewoman from Ohio, has mentioned the unfairness as it relates to women; but also, Mr. Chairman, both minorities and women suffer more than others by benefit reductions.

Even though this legislation embodies a major compromise, there are key elements of the entire bill which I cannot, in good conscience, compromise on.

Mr. Chairman, among the other provisions of particular concern to me is the recommendation to place new Federal hires under the social security system. I see this as an unfair, unsound, and unjustifiable proposal. Adding millions of people to an already overburdened social security system just does not make sense.

Mr. Chairman, Federal workers currently pay 7 percent of their salaries into the civil service retirement system. Under current funding, the civil service retirement system is financially sound and will remain so for at least 100 years. But retirement systems depend on receipts from current employees to pay benefits to retired workers. Placing newly hired workers under social security instead of the civil service retirement system would quickly bankrupt civil service retirement. Once bankrupt, the cost to the taxpayers to meet civil service retirement benefits already promised would be immense—a minimum of \$185 billion according to independent research.

Mr. Chairman, advocates claim that placing newly hired Federal workers

under social security will help in the short run. However, today's contributor will become tomorrow's liability. Instead of the \$9.3 billion savings claimed by the Ways and Means Committee, other estimates show a short-term savings of less than \$5 billion between 1983 and 1989. Even these short-term gains, however, would be offset by increased Government costs in the future.

Mr. Chairman, the Government would have to increase its payments into the civil service retirement trust fund just to offset the revenue lost that will occur as new workers pay into the social security system. Unless these payments are made, the civil service retirement system reserve will gradually disappear. If no new employees contribute to the civil service retirement fund, the reserve will be exhausted in about 20 years, and the civil service retirement system will be in the same position as the social security system is now—current revenues will not be sufficient to meet all current obligations.

Given these facts, it is difficult to see what the attractiveness is of placing newly hired Federal workers under the social security system. I do not see it, and neither do the millions of Americans who have raised their voices in opposition to this provision.

In addition, Mr. Chairman, I cannot support the provision of the committee bill to defer the cost-of-living adjustment due in July 1983 until January 1984, and paying all future cost-of-living adjustments in January instead of the previous July.

Mr. Chairman, this provision would only result in reduced benefit levels—compared to the levels that would prevail under current law—not only in 1983 but also in future years, because each year social security recipients would have to wait 6 months longer to receive their COLA's than they would under present law.

Mr. Chairman, there are 26 million senior citizens in this country. Sixteen percent of all senior citizens have incomes at or below the poverty level and are struggling to make ends meet. Any proposal to modify or reduce their cost-of-living adjustments will only place an even greater economic hardship on the aged and dramatically reduce their present standard of living.

In spite of the obvious needs of our Nation's senior citizens, Federal budget reductions implemented last year have already imposed heavy burdens on the elderly. Due to the administration's policies, benefits to the most needy senior citizens under the food stamp, medicare and housing assistance programs have been cut. In fiscal year 1983, the President proposed additional cuts in not only these programs but also in senior citizen employment, social services, and nutrition programs.

Mr. Chairman, the elderly have already suffered more than their fair

share in budget reductions. This delay in the cost-of-living adjustment will only cause more hardship for the low-income elderly who can ill-afford any reduction in their protection against the rising cost of living.

And finally, Mr. Chairman, I must voice my strong opposition to the amendment, offered by the gentleman from Texas, Mr. PICKLE. The Pickle amendment would strike the provisions reducing initial benefit levels beginning in the year 2000 and raising payroll taxes beginning in the year 2015. Consequently, the amendment would gradually raise the normal social security retirement age from 65 to 67.

Mr. Chairman, raising the retirement age under social security will have an extremely negative impact on those people who are unable to work beyond age 65—or age 62, for that matter because of poor health or because they have lost their jobs and are unlikely to be able to find new employment at an advanced age. The Pickle amendment assumes that jobs will be readily available to all who want them, and it also assumes that the disability program will be "improved" to take care of those who cannot continue to work. Persons in low-paid, physically demanding work, and minorities who have a lower life expectancy, will be heavy losers if the social security retirement age is raised.

Further, Mr. Chairman, the Pickle amendment clearly constitutes another benefit cut for the elderly and uses this benefit cut to make up the estimated shortfall. Instead of the Pickle amendment, I favor the amendment offered by the distinguished gentleman from Florida, Mr. PEPPER. The Pepper amendment eliminates the remaining projected shortfall in the social security trust funds without resorting to benefit cuts beyond those recommended by the Social Security Commission.

Mr. Chairman, I urge those of my colleagues who may be tempted to approve raising the retirement age, to ask themselves if they are also firmly committed to coupling this change with new job training and placement programs, not just for dislocated workers, but also for persons in their sixty's with limited paid work experience; whether they are willing to support more liberal disability programs for persons unable to work; whether they will stand behind vigorous enforcement laws prohibiting age, sex, and racial discrimination in employment.

Mr. Chairman, without an integral linking of such policies, raising the age of retirement or decreasing replacement rates may contribute to the actuarial balance of the social security system, but will also aggravate the "actuarial balance" between affluence and poverty in this Nation.

Mr. Chairman, if the Pepper amendment fails I cannot in good conscience support this legislation. I urge my col-

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leagues to support the Pepper amendment.

□ 1010

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the distinguished gentleman from California (Mr. ROYBAL).

Mr. ROYBAL. Mr. Chairman, the Pepper amendment is the only vehicle that we have to signal to the American people that we mean it when we say that we are not going to cut social security.

We should support the Pepper amendment because it does not cut benefits for current workers who are future retirees, and the Pickle amendment does. The Pepper amendment does not unnecessarily burden minorities and women, and the Pickle amendment does. It does not disrupt the basic concept or the compact between our Government and the people of the United States, and the Pickle amendment does just that.

If we truly want to protect those who will be too old or too infirm to support themselves, then the choice is quite clear: The Pepper amendment must be adopted. This is an amendment that will definitely put in its correct perspective the future of the American senior citizen, a concept led and championed by Mr. Senior Citizen himself, the gentleman from Florida (Mr. PEPPER).

I strongly urge a yes vote on the Pepper amendment.

The CHAIRMAN. The Chair would like to advise the gentleman from Florida (Mr. PEPPER) that he has 16 minutes remaining.

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Maryland (Mr. MITCHELL).

Mr. MITCHELL. Mr. Chairman, when my father lived, he worked as a waiter. That was one of the few occupations that was open to a black man in my city. He could be a waiter, he could teach school, maybe work in the post office, but my father worked as a waiter.

As a waiter, he worked 10 hours a day, and if any of you have ever waited tables, you know what it means carrying heavy trays for 10 hours a day. He did it because he had children that he loved and wanted to support.

He burned out—he burned out—at age 62, but he kept on going, further jeopardizing his health, until he reached age 65. At 65, because he had not been covered earlier under social security, he got a pittance, and he would have starved had not his children whom he loved, loved him and took care of him.

These are occupations where people burn out despite progress that has been made in this Nation. They burn out.

Support the Pepper amendment. For God's sake support it.

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the able gentleman from New Mexico (Mr. RICHARDSON).

Mr. RICHARDSON. Mr. Speaker, I was one of those Democrats elected to

Congress on the basis of protecting social security, and I feel if this body rejects the Pepper amendment it will be destroying that banner and saying "tough beans" to the millions of Americans who work with their hands, who would be badly hurt by the passage of the Pickle amendment to raise the retirement age.

The Pepper amendment does not cut benefits. The Pepper amendment does not burden minorities and women who might have to retire early because of health problems and employment.

The Pepper amendment preserves the basic compact between the Government and the people.

Mr. Speaker, I feel that if this body rejects the Pepper amendment, we will be turning our backs on the millions of Americans who have broken their backs for this country. Let us not cut benefits. Let us preserve and protect social security—the people of northern New Mexico elected me to do that. I hope the House of Representatives passes the Pepper amendment. It is a vote to preserve social security.

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the gentleman from Wisconsin (Mr. ORRY).

Mr. ORRY. Mr. Chairman, I made it clear in earlier debate that I had no knee-jerk objection to the Pickle amendment if all it did was to raise the retirement age by 1 year in the 21st century but this bill, as it stands now, also reduces benefits below today's present amounts for people who have to retire early, people who are going to need these benefits more than anybody else.

I think the gentleman from Missouri (Mr. GARNER) made the essential point: The committee bill had the virtue of at least sharing the burden of benefit reductions broadly across society. Now, the way this bill stands, the biggest load is laid on the backs of the people who can least afford to carry it, and I would urge my colleagues, therefore, to recognize that the only option left to achieve real fairness is the Pepper amendment, and I would urge support for the Pepper amendment.

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Massachusetts (Mr. SWANSON).

Mr. SHANNON. I thank the gentleman for yielding this time to me.

Mr. Chairman, I think we made a mistake on the last amendment. What we did was, we upset a very, very carefully placed balance. After the Social Security Commission issued its report, we said we were going to try to pass a bill that spreads the burden of solving the social security problem.

I am afraid that the Pickle amendment which has been adopted upsets that balance.

We have a chance, by adopting the amendment offered by the gentleman from Florida, to put that problem right, to solve that problem, and to say we are going to keep to our commit-

ment not to cut benefits. We are going to keep to our commitment not to single out a segment of the society and say that it is going to bear the total burden.

The Pepper amendment offers us the opportunity to do that. I urge all my colleagues to support it.

I think the most important thing is, beyond passing the Pepper amendment, we pass this bill. We have a chance to come back together, put the Pepper amendment into the bill, and then, most important of all, no matter what happens on this amendment, we have to vote to get this legislation through and solve the total problem that we are facing in social security.

Mr. PEPPER. If I may have the attention of the gentleman from New York (Mr. CONABLE), I have only one more speaker. Does the gentleman have any requests for time?

Mr. CONABLE. Mr. Chairman, I do have a request for time. May I ask how much time is remaining?

The CHAIRMAN. The gentleman from Florida has 12 minutes remaining, and the gentleman from New York (Mr. CONABLE) has 36 minutes remaining.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. FISH).

(Mr. FISH asked and was given permission to revise and extend his remarks.)

Mr. FISH. Mr. Chairman, I will support H.R. 1900, which represents a valiant effort to provide a sound financial future for the social security system. We cannot afford to delay any further legislation designed to eliminate the projected shortfalls in OASDI through 1990. The committee has done a good job in spreading the cost of saving social security without imposing an undue hardship on any one sector of the population.

Despite my overall support for H.R. 1900, I have been greatly disturbed by the consequences of one of its provisions. Since the beginning of last month, many groups of Federal employees, both in the 1st Congressional District and here in Washington, D.C., have been expressing their deep concern over the impact of universal coverage on the future of the civil service retirement system. These hard-working public servants are truly worried that when they retire, there will be no money left for their Federal pension. Questions have been raised as to why a healthy system is being sacrificed for a sick one, and why a system older and more efficient than social security should be changed in the future. Many of these people expressed the view that Federal workers are being made a scapegoat for the private sector, and that universal coverage is just the latest of several recent efforts to make Federal employment unattractive and inefficient.

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For me to vote for H.R. 1900, I had to satisfy both my concerns, which I share with these Federal workers, and those of the many people who have taken the time to visit me in my district and in Washington. In today's debate, the gentleman from Michigan, chairman of the Post Office and Civil Service Committee, Mr. Ford, has assured this body and Federal workers that his committee recognizes its responsibility and will fashion a plan to insure that Federal workers get the full retirement benefits they have been promised for many years. I am confident that the Congress will act to make sure our contract with Federal workers will be fulfilled.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Idaho (Mr. CRAIG).

(Mr. CRAIG asked and was given permission to revise and extend his remarks.)

Mr. CRAIG. Mr. Chairman, I stand in opposition to the Pepper amendment that taxes are not the solution to our problem.

[Mr. CRAIG addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

□ 1820

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to the gentleman from Texas (Mr. PICKLE).

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Chairman, first and foremost, I want to pay my respects to my dear friend, Senator PEPPER. He and I do have a difference on the approach we should take in the long term. Mine is as sincere as I know his is. I have advocated this for 2 years. I think it is the proper approach.

I have asked for this time simply to say to my colleagues that a great many statements have been made in the well now that are not factually correct, and I would hope that we would not be so worked up emotionally that we lose sight of the fact of exactly what we have done.

Let me respond first by saying that if we go with Senator PEPPER's amendment now, we are saying in effect that from now on the only way we will correct long-term deficits in the social security program is to raise taxes. There must be some other way than just to keep raising taxes, because eventually that is going to get so onerous the American people will rebel. We know that under the committee bill it is over 15 percent, and within a short time, by Senator PEPPER's amendment, it would be 16.3 percent. There just simply must be some way to correct the social security problem other than by just raising taxes. I would think that the approach we have taken will do that.

Let us keep in mind that the amendment we have just passed does not raise taxes. The bill has a reduction of

the 0.68-percent deficit by making 60 percent of that deficit in reductions in benefits and an increase of 0.24 percent in taxes. It does both.

There has been criticism, as I said, that the Pickle amendment clobbers the ladies, that it hurts the coal miners, and that it prevents the young from being able to retire on time. What we can do today we can still do under the amendment we just passed. My amendment does not change any of that. It does not change the right to claim benefits at 62, nor does it affect medicare at 65, nor does it affect SSI. We simply do not touch that.

Now, it is true that if one did not stay in the work force 1 more year, in the year 2009 approximately, then there would be some slowing in the growth of benefits. I am of the opinion that the American people would expect us to make some structural change in the social security program. That is not being harsh. If we leave our hearts to control what we do, we would then raise benefits and raise taxes, and then everybody could retire with all the money in the world they need.

Social security is not a full retirement program. It is a floor. It is a supplement, and it can be supported only as long as the American people will support it. I say to the Members that if we keep going in the direction of Senator PEPPER, then there will be a generation gap, there will be generation conflict, and our young people simply will not continue to support it.

When we go to any of our high school groups, when we go to our young businessmen's groups, and ask them, "Which do you want to do, raise taxes or raise the age?" By a 9-to-1 vote, or more, they say, "Do not raise taxes."

If we go to our elderly people, as I have in my senior citizens' homes, and ask them, "Should we raise taxes potentially?" As much as they want the benefits, they do not endorse that automatically because they have children; they have sons and grandsons, daughters and granddaughters coming up.

The temptation is just to say, "Let us raise taxes a modest amount and pay these benefits." That is what we would like to do. None of us ran on a platform that we want to cut benefits, but I do think that the American people expect us to do the responsible thing, and that is to keep the social security program solvent.

Let us not think for a moment now that what we have done at 62 would keep everybody in so they cannot get benefits for another 2 years. That is not correct. They have about five options to retire and take early retirement now. I do not change any of that. There is a slight reduction in 20 years from now, there is another one in the year 2027, but there are no taxes and nobody is hurt.

Most of all—and I want the Members to hear this—we put in this bill

an amendment that directs the Secretary of HHS to give us a description of the occupational disabilities. So all these concerns that have been expressed have been taken care of, and they are not taken care of in the bill. If Members follow the bill at this time, then they must understand that they would get none of that relief.

Mr. SEIBERLING. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The time of the gentleman from Texas (Mr. PICKLE) has expired.

Mr. CONABLE. Mr. Chairman, I yield 1 additional minute to the gentleman from Texas (Mr. PICKLE).

Mr. PICKLE. I yield to the gentleman from Ohio.

Mr. SEIBERLING. Mr. Chairman, I thank the gentleman from yielding.

I spoke today and I spoke yesterday about the fact that this bill raises social security payroll taxes and that this adds to the increasingly regressive character of our entire taxing system. I agree with the gentleman about raising taxes, but I am not worried about what happens in 2010, 20 years from now.

We have to do something very soon about cutting the payroll tax, and we have a means of doing so. The medicare program is going to be in the same financial fix that social security is at the end of this next decade. We can move on that, transfer the cost of medicare to the generations, and cut the payroll taxes. That is what we ought to be doing.

Mr. PICKLE. Mr. Chairman, the question on the amendment we have before us and the controversy we have is, how do we handle the long range? In the short range this bill raises \$165 billion, so we do not have a shortfall, and we have taken every precaution that the money will be there. But if we just raise taxes, we must understand that taxes cause inflation and taxes cause unemployment.

Mr. SEIBERLING. Mr. Chairman, I could not agree with the gentleman more in that respect.

The CHAIRMAN. The time of the gentleman from Texas (Mr. PICKLE) has expired.

Mr. CONABLE. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, I had not intended to say anything further, but it does occur to me that the point the gentleman from Texas (Mr. PICKLE) makes is a terribly important one.

We must have the capacity to reform critical institutions like the social security system. Institutions which cannot be reformed become rigid and eventually shatter. The social contract must be a pliable thing, bent to the public will and adjusted to the needs of the times.

For instance, at some time I hope the social security system can be reformed to provide a better system of benefits for working women. As it was drawn in 1935, the social security

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system was designed to protect the one-wage-earner family, and the result was that we provided spousal benefits but did not leave a system which could accommodate to the intervention of large numbers of women in the work force on an intermittent basis.

Women now contribute to social security substantial sums of money but rarely get any return on their money because their derivative benefits as wives exceed the benefits they earn as workers. Thus what they contribute to the system helps others but does not help them at all.

Correcting such anomalies is the sort of reform we must achieve, and if all we can do is raise taxes, we will never achieve it.

What we do to change the system, though, must be thoughtfully done, must be done over a period of time, and must be well adapted to the situations in which we find ourselves and which constantly change.

Mr. CHAIRMAN, I hope that we will not decide now to abandon the idea of reform and simply raise taxes. A vote for the Pepper amendment says that reform is impossible, just because the subject is so important.

The CHAIRMAN. The time of the gentleman from New York (Mr. CONABLE) has expired.

Mr. OAKAR. Mr. Chairman, will the gentleman yield to me?

Mr. CONABLE. Mr. Chairman, I yield back the balance of my time.

Mr. PEPPER. Mr. Chairman, may I inquire, how much time do I have remaining?

The CHAIRMAN. The gentleman from Florida (Mr. PEPPER) has 12 minutes remaining.

Mr. PEPPER. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. WALGREN).

(Mr. WALGREN asked and was given permission to revise and extend his remarks.)

Mr. WALGREN. Mr. Chairman, I believe it is unconscionable to raise the retirement age at which people will be eligible for full social security benefits. This amendment is based on the assertion that Americans are living longer and therefore it would be reasonable to ask us to work longer. That assumption is patently false. The increase in the average life expectancy of Americans is not because we are living longer. The increase in average life expectancy is because infant mortality is declining. Although more people are living to be 60 or 70 years old, none of us are living any longer.

The fact is that someone reaching the age of 45 in 1950 could expect to live 24 more years. Someone reaching the age of 45 in 1970 could expect to live no longer. Someone reaching the age of 65 in 1960 could expect to live to the age of 70. Someone reaching the age of 65 in 1970 could expect to live no longer.

When we say Americans are living longer, we really mean that more

Americans are living to be 65 years or older. We do not mean that those who reach 65 are living any longer, or are in any better condition to continue work. Any increase in retirement age can only be supported if those who reach age 65 live longer. They do not.

I believe there is a serious misunderstanding of life expectancy by many who support Mr. Pickle's amendment. Many will be surprised to know that those reaching age 65 in 1970 can expect to live no longer than those who reached age 65 at the turn of the century in 1900. Even though the average life expectancy rose from 50 to 75 years of age during that time. The reason is that, in 1900, infant mortality was much higher. The fact that infant mortality has fallen says nothing about the ability of those who reach 65 to continue working.

To raise the retirement age is the ultimate cut in benefits. The same number of people will be dying at age 65 and 67 as always have died during those years. For those who choose to work until full retirement, but die at age 65, the Pickle amendment eliminates their benefits completely.

I emphasize that the President's Commission made no such recommendation as is contained in Mr. PICKLE's amendment. Should this amendment be adopted, we would deeply violate the standard of retirement we have set in this country. If this amendment is adopted, this bill does not deserve to be supported.

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the able gentleman from Florida (Mr. SMITH).

(Mr. SMITH of Florida addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.)

Mr. PEPPER. Mr. Chairman, I yield 1 minute to the able gentleman from California (Mr. WAXMAN).

(Mr. WAXMAN asked and was given permission to revise and extend his remarks.)

Mr. WAXMAN. Mr. Chairman, I know many in this room thought that the Wage and Means proposal was an equitable way to resolve the issue of long term financing for social security. It balanced out some tax increases with benefit cuts.

But the fact of the matter is we now have before us the choice of the Pickle amendment, which places the full burden of dealing with the long-term problem by cutting the benefits for many people who will be least able to be on it.

So I would recommend that we support the Pepper proposal. Then if we see down the road that we need to make changes in the law we can make those changes.

But once we change the retirement age to 67, the private pensions will change their retirement age to 67 as well and we will have no realistic opportunity to revise what many of us believe to be a major error.

Let us vote for the Pepper provision for the long-term financing of the system and make the changes down the road if we need to. We will be able to do it far better if the Pepper amendment is adopted.

I would urge my colleagues to vote aye for the Pepper amendment.

Mr. PEPPER. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. Eighty-seven Members are present, not a quorum.

Members will record their votes by electronic device.

The call was taken by electronic device.

The following Members responded to their names:

[Roll No. 287]

ANSWERED "PRESENT"—463

Ackerman	Craig	Guarini
Akaka	Crane, Daniel	Gunderson
Albosta	Crane, Philip	Hall (IN)
Alexander	Crockett	Hall (OH)
Anderson	Dannemeyer	Hall, Ralph
Andrews (DC)	Daschle	Hall, Sam
Andrews (TX)	Daub	Hamilton
Annunzio	Davis	Hammerstein
Anthony	de la Garza	Hance
Applegate	Dellums	Hansen (ID)
Aspin	Derrick	Hansen (VT)
AuCoin	DeWine	Harkin
Badham	Dickinson	Harrison
Barnard	Dicks	Hartnett
Bartlett	Dixon	Hatcher
Bateman	Donnelly	Hawkins
Bates	Dorgan	Hefner
Bedell	Dowdy	Hefl
Bellenson	Downey	Hertel
Bennett	Dreier	Hightower
Bereuter	Duncan	Hill
Berman	Durbin	Hillis
Bethune	Dwyer	Holt
Bevill	Dymally	Hopkins
Biaggi	Dyson	Horton
Billakis	Early	Howard
Billiey	Eckart	Hoyer
Boehlert	Edgar	Hubbard
Boggs	Edwards (CA)	Huckaby
Boner	Edwards (OK)	Hughes
Bonior	Emeras	Hunter
Bonker	English	Hutto
Boraki	Erdreich	Hyde
Bosco	Erlenborn	Ireland
Boucher	Evans (IA)	Jacobs
Bouquard	Evans (IL)	Jenkins
Boxer	Fasce	Johnson
Breaux	Fazio	Jones (DC)
Britt	Feighan	Jones (OK)
Brooks	Ferraro	Jones (TN)
Broomfield	Flick	Kaptur
Brown (CA)	Fish	Kasich
Brown (CO)	Flyppo	Kasen
Breyhill	Florio	Kemp
Burton (IN)	Foght	Kenney
Byron	Foley	Kildee
Campbell	Ford (MD)	Kindness
Caney	Ford (TN)	Kogovsek
Casper	Fowler	Kolter
Carr	Franklin	Kotamyer
Chandler	Frenzel	Kramer
Chappell	Frost	LaFalce
Chapple	Fuqua	Lagomastino
Cheney	Garcia	Lantos
Clarke	Gaydos	Latta
Clay	Gelderson	Leach
Clinger	Gekas	Leath
Coats	Geppard	Lehman (CA)
Coalho	Gibbons	Leland
Coleman (MO)	Gliman	Lent
Coleman (TX)	Gingrich	Levin
Collins	Glickman	Levine
Conable	Gonzales	Levitas
Costa	Goodling	Lewis (CA)
Conyers	Gore	Lewis (FL)
Cooper	Gradison	Lipinski
Coscarean	Graham	Livingston
Coughlin	Gray	Loeffler
Courter	Green	Long (LA)
Coyne	Gregg	Long (MD)

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Lott	Parris	Snowe
Lowery (CA)	Pashayan	Snyder
Lowry (WA)	Patman	Solomon
Lujan	Paul	Spence
Lukens	Pease	Spratt
Lundine	Penny	Staggers
Lungren	Pepper	Stangeland
Mack	Perkins	Stenholm
MacKay	Petri	Stokes
Madigan	Pickle	Stratton
Markey	Porter	Studds
Marlenee	Price	Stump
Marriott	Pritchard	Sundquist
Martin (IL)	Pursell	Swift
Martin (NC)	Quillen	Synar
Martin (NY)	Rahall	Tallon
Martinez	Rangel	Tauke
Matsui	Ratchford	Tauzin
Mavroules	Ray	Taylor
Massoli	Regula	Thomas (CA)
McCaIn	Reid	Thomas (GA)
McCandless	Richardson	Torres
McCloskey	Ridge	Torricelli
McCollum	Rinaldo	Towns
McCurdy	Ritter	Traxler
McDade	Roberts	Valentine
McEwen	Robinson	Vander Jagt
McGrath	Rodino	Vandergriff
McHugh	Roe	Vento
McKernan	Roemer	Volkmer
McNulty	Rogers	Vucanovich
Mica	Rose	Walgren
Michel	Rostenkowski	Walker
Mikulski	Roth	Watkins
Miller (CA)	Roukema	Waxman
Miller (OH)	Rowland	Weaver
Mineta	Roybal	Weber
Minish	Rudd	Weiss
Mitchell	Russo	Wheat
Moakley	Sabo	Whitehurst
Molinar	Savage	Whitley
Mollohan	Sawyer	Whittaker
Montgomery	Schneider	Whitten
Moody	Schroeder	Williams (MT)
Moore	Schulze	Williams (OH)
Moorhead	Schumer	Wilson
Morrison (CT)	Seiberling	Winn
Mrazek	Shannon	Wirth
Murphy	Sharp	Wise
Murtha	Shaw	Wolf
Myers	Shelby	Wolpe
Natcher	Shumway	Wortley
Nelson	Sikoraki	Wright
Nichols	Siljander	Wyden
Nielson	Simon	Wyllie
Nowak	Sisisky	Yates
O'Brien	Skeen	Yatron
Oaker	Skelton	Young (AK)
Oberstar	Slattery	Young (FL)
Obey	Smith (FL)	Young (MO)
Olin	Smith (IA)	Zablocki
Owens	Smith (NE)	Zschau
Oxley	Smith (NJ)	
Packard	Smith, Denny	
Panetta	Smith, Robert	

□ 1850

The CHAIRMAN. Four hundred and three Members have answered to their names, a quorum is present, and the Committee will resume its business.

The Chair recognizes the gentleman from Florida (Mr. PEPPER).

Mr. PEPPER. Mr. Chairman, I yield the remainder of my time to our distinguished Speaker, the gentleman from Massachusetts (Mr. O'NEILL).

(Mr. O'NEILL asked and was given permission to revise and extend his remarks.)

Mr. O'NEILL. Mr. Chairman, I rise in support of the amendment offered by Senator PEPPER. However, before I address myself to that amendment, I want to commend Chairman DAN ROSTENKOWSKI, JAKE PICKLE, HAROLD FORD, and ANDY JACOBS for the excellent work they have done in bringing this landmark legislation to the floor.

It is just about a year ago the President of the United States, President Reagan, was proposing a national com-

mission. And it was decided that a national commission would be appointed. I appointed Chairman CLAUDE PEPPER, Robert Ball and Martha Keys to the National Commission on Social Security Reform. Senator BYRD appointed the following Democrats, Senator MOYNIHAN, and Lane Kirkland.

When I appointed them there was little hope that the Commission would accomplish much. Well, in fact, it has accomplished a great deal and reached a general consensus of the nature of the problem and the measures necessary to deal with the problem.

For all of this, I want to thank CLAUDE PEPPER. What a beautiful and brilliant job you did. It is regrettable that we did not have more Members on the floor today when you gave those brilliant remarks. In my 30 years it was one of the finest speeches I have ever heard.

I want to thank all the members of the Commission, particularly the ones that I appointed myself. I had the opportunity of seeing Martha here today and Bob Ball out in the hall.

It was a bipartisan consensus and a bipartisan report. That report is the basis of legislation which we are considering today. We owe a debt of gratitude to every member of the Commission for their hard work and their perseverance in producing this report.

Social security represents a basic contract between the Government and the citizens of this Nation. No program affects more Americans, no program is as sacred as this one, and, consequently, saving it and reforming it is difficult and controversial.

The program was enacted because of a crisis, the Great Depression. In 1935 only one-sixth of the Nation's elderly had income from savings or investments to live on. Sixty percent of the elderly lived in poverty back in the thirties. And upholding the constitutionality of the social security, Supreme Court Justice Cardozo observed, the Nation responded to the call of the distressed when it passed the social security tax.

Well, I myself worked with the Commission. So many times with the Commission, so many times did I talk to them I would have to say probably 50 times along the line. We discussed the definitions, we discussed the 6-month COLA. Could we go along with it? But no benefit cuts along the line, it was agreed.

We talked about taxing a portion of social security benefits, that part the employer had paid in for the recipient. All right. No benefit cuts were to be made.

We talked about the Federal employees and I have seen so many around here. Originally it was thought that we would put all the Federal employees in. Then the unions came, the Federal unions. "Would you drop out the Federal employees?"

And then we put in those who had not been vested, had been here but 5 years and were not vested.

And then they came to us a second time and they said, "Will you drop them out?"

We told them that we were going to put in future employees and they winked as though everything was fine. And suddenly they appear on the horizon here and to those appearing here, I think it has been very, very unfair, because in no way have we hurt them whatsoever.

What is this bill all about today? The truth of the matter is we are all in agreement on both sides of the aisle as far as saving the system as of today and today is the day of crisis. Because of this bill the social security is secure for the next 25 or 30 years.

But we are thinking beyond 25 and 30 years. That is what the argument is all about today.

It came down to three issues. The issue of the committee's amendment that was amended by the gentleman from Texas (Mr. PICKLE). And the amendment as written in the bill was really a compromise between the Pepper amendment and the Pickle amendment.

And so basically it came down to this: Is there any increase in tax? I would have to say, yes, there is an increase in tax in all three bills. How is there an increase? I see the gentleman from Texas rises himself. Well, in 1984, goes to 5.70 and it remains at that. In 1988 the current law stays at 5.70, the committee bill, which is not changed by the gentleman's amendment, goes to 6.06. In 1989, it remains at 6.06. And in 1990, it goes to 6.20.

The difference between the gentleman's bill and DAN ROSTENKOWSKI's, the Ways and Means Committee bill, was the Ways and Means Committee increased that 6.2 by 0.25 in 2015. That is twenty-four one-hundredths percent. And then there are the bend point changes.

The Pepper bill, what the Pepper bill does is increase the tax rate in the year 2010 by 0.54. Point 54, that is not 54 percent, that is just a little more than one-half of 1 percent in the year 2010.

Well, what the Pickle did along the line was this. As far as the committee bill, the workers retiring at the age of 62 in the year 2007, there was a deduction of 5 percent in the benefits. The Pickle bill, 6 percent in the benefits.

If you retired at the age of 62 in the 2022, 5 percent in the committee bill; 12 percent in the Pickle bill.

And so it goes along that way. If you go to 66, 67, the increases are that you take it out of the benefits. It comes down to basically this: Should you increase the tax one-half of 1 percent or should you cut those who retire at the age of 62 ultimately 14 percent, because you cut them from 80 to 70 percent of full benefits, is a 12-percent cut.

Now the interesting thing about it is this. It is just a question of philosophy as to what you believe in. I want the

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people on my side of the aisle to vote for the bill whether the Pepper bill passes or not and I am sure the gentleman from Florida (Mr. PEPPER) is going to vote for it. And I hope and trust that as many who supported the Pickle bill on this side will vote for final passage of the bill. It is a question of philosophy.

I believe that we made a commitment along the line and I know I did to the committee that I appointed as I talked with them time after time when they were in the art of compromise with the President. No benefit cuts at any time. No benefit cuts at any time. Yes; we will make concessions in the COLA. Yes; we will make concessions on the taxing of the social security. Yes; we will make concessions on this along the line, but no benefit cuts.

Why do I talk that way? In my lifetime in politics there have been two important pieces of legislation that sing out. The social security bill of the thirties and in the fifties the GI bill of rights. The social security gave dignity to the golden agers of America in the twilight of their career. The GI bill of rights educated 19 million Americans. And the interesting fact about it is we are changing tradition today. History is being written on this floor. We are changing the tradition of this country. In America, each generation has always paid for the generation that has gone before them, because the generation, the senior citizens in their seventies and eighties, paid for the bill of rights. They paid for the social security system through the years. And what are we doing today? We are changing the system of this Government and how this Congress has always acted—that each generation should take care of the generation that went before it.

□ 1900

Basically, I think we are wrong in what we are doing today. It is just a question of my philosophy. It is a question of how I feel.

What does the tax bill of the gentleman from Florida (Mr. PEPPER) mean? Does it mean that much, fifty-four one-hundredths percent, 38 years down the line? If you make \$30,000 a year, it means you will pay an extra \$162. If you make \$50,000 a year, in the year 2010 you will pay \$270 more.

Should we change the tradition? I say no.

I ask you to vote for the Pepper amendment and whether you vote for the Pepper amendment or you do not vote for the Pepper amendment, I think the real purpose of this bill as we originally submitted it, was to straighten out the crisis. On both sides we are agreed with that.

I hope you will vote for final passage of the bill.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida (Mr. PEPPER).

RECORDED VOTE

Mr. DANNEMEYER. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.
The vote was taken by electronic device, and there were—ayes 192, noes 296, not voting 5, as follows:

[Roll No. 24]

AYES—192

Ackerman
Addabbo
Alexander
Anderson
Andrews (NC)
Annunzio
Aspin
Barnes
Berman
Biaggi
Boggs
Bonior
Bonker
Boraki
Boucher
Boxer
Brown (CA)
Bryant
Burton (CA)
Carr
Clarke
Clay
Collins
Conyers
Coyne
Crockett
D'Amours
Dellums
Dixon
Donnelly
Dowdy
Dorbin
Dwyer
Dymally
Dyson
Early
Edwards (CA)
Evans (IL)
Fascell
Ferraro
Foglietta
Foley
Ford (MI)
Frank

Frost
Garcia
Geldenson
Gonzales
Gray
Guarini
Hall (IN)
Hall (OH)
Harrison
Hawkins
Hertel
Howard
Hoyer
Huckaby
Jacobs
Kaptur
Kennelly
Kildee
Kolter
Kostmayer
Lehman (FL)
Leland
Levin
Levine
Lowry (WA)
Markey
Martinez
Mavroules
McCloskey
McNulty
Mikulski
Mineta
Minish
Mitchell
Moakley
Mollohan
Moody
Morrison (CT)
Oaker
Oberstar
Obey
Ottinger
Owens
Patterson

Pepper
Perkins
Price
Rahall
Rangel
Ratchford
Reid
Richardson
Rodino
Roe
Rose
Roybal
Russo
Savage
Scheuer
Schneider
Schumer
Selberling
Shannon
Simon
Slatsky
Skelton
Smith (FL)
Solari
Spratt
St. Germain
Staggers
Stokes
Swift
Tallon
Torres
Torricelli
Towns
Traxler
Vento
Walgren
Waxman
Weaver
Weiss
Wheat
Wise
Yates
Young (MO)
Zablocki

NOES—296

Akaka
Albosta
Andrews (TX)
Anthony
Applegate
Archer
AuCoin
Badham
Barnard
Bartlett
Bateman
Bates
Bedell
Bellenson
Bennett
Bereuter
Bethune
Bevill
Blitakis
Bliley
Boehlert
Boner
Bosco
Bouquard
Breaux
Britt
Brooks
Broomfield
Brown (CO)
Broyhill
Burton (IN)
Byron
Campbell
Carney
Carper
Chandler
Chappell
Chapple
Cheney
Clinger
Coats

Coelho
Coleman (MO)
Coleman (TX)
Conable
Conte
Corcoran
Coughlin
Courter
Craig
Crane, Daniel
Crane, Philip
Daniel
Dannemeyer
Daschle
Daub
Davis
de la Garza
Derrick
DeWine
Dickinson
Dicks
Dorgan
Downey
Dreier
Duncan
Eckart
Edgar
Edwards (AL)
Edwards (OK)
Emerson
English
Erdreich
Erlenborn
Evans (IA)
Fazio
Feighan
Fiedler
Fields
Fish
Filippo
Florio

Ford (TN)
Forsythe
Fowler
Franklin
Frenzel
Fuqua
Gaydos
Gekas
Gephardt
Gibbons
Gillman
Gingrich
Glickman
Goodling
Gore
Gradison
Gramm
Green
Gregg
Gunderson
Hall, Ralph
Hall, Sam
Hamilton
Hammerschmidt
Hance
Hansen (ID)
Hansen (UT)
Harkin
Hartnett
Hatcher
Hefner
Heftel
Hightower
Hill
Hillis
Holt
Hopkins
Horton
Hubbard
Hughes
Hunter

Hutto
Hyde
Ireland
Jeffords
Jenkins
Johnson
Jones (NC)
Jones (OK)
Jones (TN)
Kasich
Kastenmeier
Kasen
Kemp
Kindness
Kogovsek
Kramer
LaFalce
Lagomarsino
Lantos
Latta
Leach
Leath
Lehman (CA)
Lent
Levitas
Lewis (CA)
Lewis (FL)
Lipinski
Livingston
Loeffler
Long (LA)
Long (MD)
Lott
Lowery (CA)
Lujan
Luken
Lundine
Lungren
Mack
MacKay
Madigan
Marlenee
Marriott
Martin (IL)
Martin (NC)
Martin (NY)
Matsui
Mazzoli
McCaIn
McCandless
McCollum
McCurdy
McDade
McDonald
McEwen
McGrath
McHugh
McKernan

McKinney
Mica
Michel
Miller (CA)
Miller (OH)
Molinari
Montgomery
Moore
Moorhead
Morrison (WA)
Mrasek
Murphy
Murtha
Myers
Natcher
Nelson
Nichols
Nielsen
Nowak
O'Brien
Olm
Ortiz
Oxley
Packard
Panetta
Paul
Pease
Penny
Petri
Pickle
Porter
Pritchard
Pursell
Quillen
Ray
Regula
Ridge
Rinaldo
Ritter
Roberts
Robinson
Roemer
Rogers
Rostenkowski
Roth
Roukema
Rowland
Rudd
Sabo
Sawyer
Schroeder
Schulze
Sensenbrenner
Sharp
Shaw

NOT VOTING—5

Boland
Cooper
Dingell
Neal
Washington

□ 1910

Mr. DANIEL changed his vote from "Aye" to "No."

Mr. BIAGGI changed his vote from "No" to "Aye."

So the amendment was rejected.
The result of the vote was announced as above recorded.

□ 1920

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. NATCHER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 1900) to assure the solvency of the social security trust funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes, pursuant to House Resolution 126, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

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The **SPEAKER**. Under the rule, the previous question is ordered.

The question is on the amendment.

The question was taken; and the Speaker announced that the ayes appeared to have it.

RECORDED VOTE

Mr. WEISS. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 230, noes 200, not voting 3, as follows:

[Roll No. 25]**AYES—230**

Alexander	Gramm	Olin
Andrews (TX)	Green	Ortiz
Annunzio	Gregg	Oxley
Anthony	Gunderson	Packard
Archer	Hall, Ralph	Parris
AuCoin	Hall, Sam	Pashayan
Badham	Hamilton	Paul
Barnard	Hammerschmidt	Penny
Bartlett	Hance	Petri
Bateman	Hansen (ID)	Pickle
Bates	Hansen (UT)	Porter
Bedell	Hartnett	Pritchard
Bellenson	Hatcher	Pursell
Bennett	Hefner	Quillen
Bereuter	Heftel	Ray
Bethune	Hightower	Ridge
Bilirakis	Hiler	Ritter
Bliley	Hillis	Roberts
Boehlert	Holt	Robinson
Boggs	Hopkins	Roemer
Bouquard	Horton	Rogers
Breaux	Hunter	Rostenkowski
Brooks	Hutto	Roth
Broomfield	Hyde	Roukema
Brown (CO)	Ireland	Rowland
Broyhill	Jeffords	Rudd
Burton (IN)	Jenkins	Sawyer
Byron	Jones (NC)	Schulze
Campbell	Jones (OK)	Sensenbrenner
Carney	Kasich	Shaw
Carper	Kazen	Shelby
Chandler	Kemp	Shumway
Chappell	Kindness	Shuster
Chappie	Kramer	Siljander
Cheney	Lagomarsino	Skeen
Clarke	Latta	Slatery
Clinger	Leach	Smith (NE)
Coats	Leath	Smith (NJ)
Coleman (MO)	Lent	Smith, Denny
Coleman (TX)	Levitas	Smith, Robert
Conable	Lewis (CA)	Snowe
Cooper	Lipinski	Solomon
Corcoran	Livingston	Spence
Coughlin	Loeffler	Stangeland
Courter	Lott	Stark
Craig	Lowery (CA)	Stenholm
Crane, Daniel	Lujan	Stratton
Crane, Philip	Lundine	Studds
Daniel	Laurens	Stump
Dannemeyer	Mack	Sundquist
Daschle	MacKay	Synar
Daub	Madigan	Tauke
de la Garza	Marlenee	Tauzin
DeWine	Marriott	Taylor
Dickinson	Martin (IL)	Thomas (CA)
Downey	Martin (NC)	Thomas (GA)
Dreier	Martin (NY)	Udall
Duncan	Matsui	Valentine
Edwards (AL)	Mazzoli	Vander Jagt
Edwards (OK)	McCain	Vandergriff
Emerson	McCandless	Vucanovich
English	McCollum	Walker
Erlenborn	McCurdy	Watkins
Evans (IA)	McDonald	Weber
Fiedler	McEwen	Whitehurst
Fields	McGrath	Whitley
Fish	McKernan	Whittaker
Flippo	McKinney	Wilson
Forsythe	McNulty	Winn
Franklin	Michel	Wolf
Frenzel	Montgomery	Wortley
Fuqua	Moore	Wright
Gekas	Moorhead	Wylie
Gibbons	Morrison (WA)	Young (AK)
Gingrich	Myers	Young (FL)
Glickman	Nelson	Zechau
Gradison	O'Brien	

NOES—200

Ackerman	Gillman	Ottenger
Addabbo	Gonzales	Owens
Akaka	Goodling	Panetta
Albosta	Gore	Pattman
Anderson	Gray	Patterson
Andrews (NC)	Guarini	Pease
Applegate	Hall (IN)	Pepper
Aspin	Hall (OH)	Perkins
Barnes	Harkin	Price
Berman	Harrison	Rahall
Bevill	Hawkins	Rangel
Biaggi	Hertel	Ratchford
Boner	Howard	Regula
Bonior	Hoyer	Reid
Bonker	Hubbard	Richardson
Borski	Huckaby	Rinaldo
Bosco	Hughes	Rodino
Boucher	Jacobs	Roe
Boxer	Johnson	Rose
Britt	Jones (TN)	Roybal
Brown (CA)	Kaptur	Russo
Bryant	Kastenmeier	Sabo
Burton (CA)	Kennelly	Savage
Carr	Kildee	Scheuer
Clay	Kogovsek	Schneider
Coelho	Kolter	Schroeder
Collins	Kostmayer	Schumer
Conte	LaFalce	Seiberling
Conyers	Lantos	Shannon
Coyne	Lehman (CA)	Sharp
Crockett	Lehman (FL)	Sikorski
D'Amours	Leland	Simon
Davis	Levin	Siskis
DeLuca	Levine	Skelton
Derrick	Lewis (FL)	Smith (FL)
Dicks	Long (LA)	Smith (IA)
Dingell	Long (MD)	Snyder
Dixon	Lowry (WA)	Solarz
Donnelly	Lukens	Spratt
Dowdy	Markey	St Germain
Durbin	Martinez	Staggers
Dwyer	Mavroules	Stokes
Dymally	McCloskey	Swift
Dyson	McDade	Tallion
Early	McHugh	Torres
Eckart	Mica	Torricelli
Edgar	Mikulski	Towns
Edwards (CA)	Miller (CA)	Traxler
Erdreich	Miller (OH)	Vento
Evans (IL)	Mineta	Volkmer
Fascell	Minish	Walgren
Fazio	Mitchell	Waxman
Feighan	Moakley	Weaver
Ferraro	Molinar	Weiss
Florio	Mollohan	Wheat
Foglietta	Moody	Whitten
Foley	Morrison (CT)	Williams (MT)
Ford (MI)	Mrazek	Williams (OH)
Ford (TN)	Murphy	Wirth
Fowler	Murtha	Wise
Frank	Natcher	Wolpe
Frank	Nelson	Wyden
Frost	Nichols	Yates
Garcia	Nowak	Yatron
Gaydos	Oaker	Young (MO)
Geddes	Oberstar	Zablocki
Gephardt	Oby	

NOT VOTING—3

□ 1930

Mr. SCHEUER and **Mr. RANGEL** changed their votes from "aye" to "no."

So the amendment was agreed to.

The result of the vote was announced as above recorded.

The **SPEAKER**. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. ARCHER

Mr. ARCHER. Mr. Speaker, I offer a motion to recommit.

The **SPEAKER**. Is the gentleman opposed to the bill?

Mr. ARCHER. In its present form I am, Mr. Speaker.

The **SPEAKER**. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. ARCHER moves to recommit the bill, H.R. 1900, to the Committee on Ways and Means.

The **SPEAKER**. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The **SPEAKER**. The question is on the motion to recommit.

The motion to recommit was rejected.

The **SPEAKER**. The question is on the passage of the bill.

The question was taken; and the Speaker announced that the ayes appeared to have it.

RECORDED VOTE

Mr. ROSTENKOWSKI. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device and there were—ayes 282, noes 148, not voting 3, as follows:

[Roll No. 26]**AYES—282**

Albosta	Derrick	Ireland
Alexander	Dickinson	Jacobs
Anderson	Dicks	Jeffords
Andrews (NC)	Dingell	Jenkins
Annunzio	Dorgan	Johnson
Anthony	Downey	Jones (NC)
Applegate	Duncan	Jones (OK)
Aspin	Durbin	Kaptur
AuCoin	Dwyer	Kasich
Badham	Dyson	Kastenmeier
Barnard	Eckart	Kennelly
Bartlett	Edgar	Kogovsek
Bateman	Edwards (AL)	Kolter
Bates	Edwards (CA)	LaFalce
Bedell	Edwards (OK)	Latta
Bellenson	Emerson	Leach
Bennett	English	Lehman (CA)
Berman	Erdreich	Lehman (FL)
Bevill	Erlenborn	Levin
Biaggi	Evans (IA)	Levitas
Bilirakis	Fascell	Lewis (FL)
Bliley	Fazio	Lipinski
Boehlert	Ferraro	Livingston
Boggs	Fields	Long (LA)
Boner	Fish	Long (MD)
Bonior	Flippo	Lowry (WA)
Bonker	Foglietta	Lujan
Bouquard	Foley	Lukens
Boxer	Ford (MI)	Lundine
Breaux	Ford (TN)	Mack
Britt	Forsythe	MacKay
Brooks	Fowler	Madigan
Broyhill	Frenzel	Martin (NC)
Bryant	Frost	Matsui
Burton (CA)	Fuqua	Mazzoli
Burton (IN)	Garcia	McCain
Campbell	Gephardt	McCandless
Carper	Gibbons	McCloskey
Chandler	Glickman	McCollum
Chappell	Gore	McCurdy
Chappie	Gradison	McDade
Cheney	Gramm	McHugh
Clarke	Green	McKinney
Clinger	Gregg	McNulty
Coats	Guarini	Mica
Coelho	Gunderson	Michel
Coleman (MO)	Hamilton	Mikulski
Coleman (TX)	Hammerschmidt	Miller (OH)
Conable	Hance	Mineta
Conte	Harkin	Moakley
Cooper	Harrison	Mollohan
Corcoran	Hatcher	Montgomery
Coughlin	Hefner	Moody
Courter	Heftel	Moore
Coyne	Hightower	Morrison (WA)
D'Amours	Hiler	Mrazek
D'Amours	Hillis	Murtha
Daschle	Hopkins	Natcher
Daub	Huckaby	Nelson
Davis	Hughes	Nichols
de la Garza	Hutto	Nowak
	Hyde	O'Brien

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Oberstar	Russo	Taylor
Obey	Sabo	Thomas (CA)
Olin	Sawyer	Thomas (GA)
Ortiz	Scheuer	Torres
Ottinger	Schneider	Udall
Oxley	Schumer	Valentine
Packard	Seiberling	Vander Jagt
Patterson	Shannon	Vandergriff
Pease	Sharp	Vento
Penny	Shaw	Volkmer
Pepper	Shelby	Vucanovich
Petri	Sikorski	Walker
Pickle	Simon	Watkins
Price	Slatsky	Weaver
Pritchard	Steen	Weber
Pursell	Skelton	Wheat
Quillen	Slattery	Whitehurst
Rahall	Smith (FL)	Whitley
Rangel	Smith (IA)	Whittaker
Ray	Smith (NE)	Williams (OH)
Regula	Smith, Robert	Wilson
Reld	Snyder	Winn
Richardson	Solara	Wirth
Ridge	Spratt	Wise
Robinson	Staggers	Wolpe
Rodino	Stark	Wortley
Rogers	Stratton	Wright
Roe	Sundquist	Wyden
Rostenkowski	Swift	Wylie
Roukema	Synar	Young (FL)
Rowland	Tallon	Zablocki
Rowbal	Tausin	Zechau

NOES—148

Ackerman	Hansen (ID)	Owens
Addabbo	Hansen (UT)	Panetta
Akaka	Hartnett	Parris
Archer	Hawkins	Pashayan
Barnes	Hertel	Patman
Bereuter	Holt	Paul
Bethune	Horton	Perkins
Borski	Howard	Porter
Bosco	Hoyer	Ratchford
Boucher	Hubbard	Rinaldo
Broomfield	Hunter	Ritter
Brown (CA)	Jones (TN)	Roberts
Brown (CO)	Kasen	Roe
Byron	Kemp	Roemer
Carney	Kildee	Roth
Clay	Kindness	Rudd
Collins	Kostmayer	Savage
Conyers	Kramer	Schroeder
Craig	Lagomarsino	Schulke
Crane, Daniel	Lantos	Sensenbrenner
Crane, Phillip	Leath	Shumway
Crockett	Leland	Shuster
Daniel	Lent	Siljander
Dannemeyer	Levine	Smith (NJ)
DeUms	Lewis (CA)	Smith, Denny
DeWine	Loeffler	Snowe
Dixon	Lott	Solomon
Donnelly	Lowery (CA)	Spence
Dowdy	Lungren	St Germain
Dreier	Markey	Stangeland
Dymally	Marlenee	Stenholm
Early	Marriott	Stokes
Evans (IL)	Martin (IL)	Studds
Feighan	Martin (NY)	Stump
Fiedler	Martinez	Tauke
Florio	Mavroules	Torricelli
Frank	McDonald	Towns
Franklin	McEwen	Traxler
Gaydos	McGrath	Walgren
Gejdenson	McKernan	Waxman
Gekas	Miller (CA)	Weiss
Gilman	Minish	Whitten
Gingrich	Mitchell	Williams (MT)
Gonzalez	Mollinari	Wolf
Goodling	Moorhead	Yates
Gray	Morrison (CT)	Yatron
Hall (IN)	Murphy	Young (AK)
Hall (OH)	Myers	Young (MO)
Hall, Ralph	Nielson	
Hall, Sam	Oskar	

NOT VOTING—3

Boland	Neal	Washington
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□ 1950

The Clerk announced the following pair:

On this vote:

Mr. Neal for, with Mr. Washington against.

Mr. BURTON of California and Mr. PATTERSON changed their votes from "no" to "aye."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. ROSTENKOWSKI Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the legislation just passed.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

PERSONAL EXPLANATION

Mr. GILMAN. I was unable to be on the floor on March 8, 1983, for the first three rollcall votes because of a funeral in my district. Had I been present, I would have voted:

"Yea" on rollcall No. 15, on approving the journal;

"No" on rollcall No. 16, on ordering the previous question, providing for the consideration of H.R. 1718, emergency supplemental appropriations for fiscal year 1983; and

"No" on rollcall No. 17, on agreeing to the resolution (the rule) that provided for the consideration of H.R. 1718.

PAYMENT-IN-KIND TAX TREATMENT ACT OF 1983

Mr. ROSTENKOWSKI. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 1296) relating to the treatment for income and estate tax purposes of commodities received under 1983 payment-in-kind programs, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment with an amendment.

The Clerk read the title of the bill.

The Clerk read the House amendment to the Senate amendment, as follows:

In lieu of inserting the matter proposed to be inserted by the Senate amendment, insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Payment-in-Kind Tax Treatment Act of 1983".

SEC. 2. INCOME TAX TREATMENT OF AGRICULTURAL COMMODITIES RECEIVED UNDER A 1983 PAYMENT-IN-KIND PROGRAM.

(a) INCOME TAX DEFERRAL, ETC.—Except as otherwise provided in this Act, for purposes of the Internal Revenue Code of 1954—

(1) a qualified taxpayer shall not be treated as having realized income when he receives a commodity under a 1983 payment-in-kind program,

(2) such commodity shall be treated as if it were produced by such taxpayer, and

(3) the unadjusted basis of such commodity in the hands of such taxpayer shall be zero.

(b) EFFECTIVE DATE.—This section shall apply to taxable years ending after Decem-

ber 31, 1982, but only with respect to commodities received for the 1983 crop year.

SEC. 3. LAND DIVERTED UNDER 1983 PAYMENT-IN-KIND PROGRAM TREATED AS USED IN FARMING BUSINESS, ETC.

(a) GENERAL RULE.—For purposes of the provisions specified in subsection (b), in the case of any land diverted from the production of an agricultural commodity under a 1983 payment-in-kind program—

(1) such land shall be treated as used during the 1983 crop year by the qualified taxpayer in the active conduct of the trade or business of farming, and

(2) any qualified taxpayer who materially participates in the diversion and devotion to conservation uses required under a 1983 payment-in-kind program shall be treated as materially participating in the operation of such land during such crop year.

(b) PROVISIONS TO WHICH SUBSECTION (a) APPLIES.—The provisions specified in this subsection are—

(1) section 2032A of the Internal Revenue Code of 1954 (relating to valuation of certain farm, etc., real property),

(2) section 6166 of such Code (relating to extension of time for payment of estate tax where estate consists largely of interest in closely held business),

(3) chapter 2 of such Code (relating to tax on self-employment income), and

(4) title II of the Social Security Act (relating to Federal old-age, survivors, and disability insurance benefits).

SEC. 4. ANTIABUSE RULES.

(a) GENERAL RULE.—In the case of any person, sections 2 and 3 of this Act shall not apply with respect to any land acquired by such person after February 23, 1983, unless such land was acquired in a qualified acquisition.

(b) QUALIFIED ACQUISITION.—For purposes of this section, the term "qualified acquisition" means any acquisition—

(1) by reason of the death of a qualified transferor,

(2) by reason of a gift from a qualified transferor, or

(3) from a qualified transferor who is a member of the family of the person acquiring the land.

(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

(1) QUALIFIED TRANSFEROR.—The term "qualified transferor" means any person—

(A) who held the land on February 23, 1983, or

(B) who acquired the land after February 23, 1983, in a qualified acquisition.

(2) MEMBER OF FAMILY.—The term "member of the family" has the meaning given such term by section 2032A(e)(2) of the Internal Revenue Code of 1954.

(3) MERE CHANGE IN FORM OF BUSINESS.—Subsection (a) shall not apply to any change in ownership by reason of a mere change in the form of conducting the trade or business so long as the land is retained in such trade or business and the person holding the land before such change retains a direct or indirect 80-percent interest in such land.

(4) TREATMENT OF CERTAIN ACQUISITIONS OF RIGHT TO THE CROP.—The acquisition of a direct or indirect interest in 80 percent or more of the crop from any land shall be treated as an acquisition of such land.

SEC. 5. DEFINITIONS AND SPECIAL RULES.

(a) GENERAL RULE.—For purposes of this Act—

(1) 1983 PAYMENT-IN-KIND PROGRAM.—The term "1983 payment-in-kind program" means any program for the 1983 crop year—

(A) under which the Secretary of Agriculture (or his delegate) makes payments in

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kind of any agricultural commodity to any person in return for—

(1) the diversion of farm acreage from the production of an agricultural commodity, and

(2) the devotion of such acreage to conservation uses, and

(B) which the Secretary of Agriculture certifies to the Secretary of the Treasury as being described in subparagraph (A).

(2) 1983 CROP YEAR.—The term "1983 crop year" means the crop year for any crop the harvesting or planting period for which occurs during 1983.

(3) QUALIFIED TAXPAYER.—The term "qualified taxpayer" means any producer of agricultural commodities (within the meaning of the 1983 payment-in-kind programs) who receives any agricultural commodity in return for meeting the requirements of clauses (1) and (2) of paragraph (1)(A).

(4) RECEIPT INCLUDES RIGHT TO RECEIVE, ETC.—A right to receive (or other constructive receipt of) a commodity shall be treated the same as actual receipt of such commodity.

(5) AMOUNTS RECEIVED BY THE TAXPAYER AS REIMBURSEMENT FOR STORAGE.—A qualified taxpayer reporting on the cash receipts and disbursements method of accounting shall not be treated as being entitled to receive any amount as reimbursement for storage of commodities received under a 1983 payment-in-kind program until such amount is actually received by the taxpayer.

(6) COMMODITY CREDIT LOANS TREATED SEPARATELY.—Subsection (a) of section 2 shall apply to the receipt of any commodity under a 1983 payment-in-kind program separately from, and without taking into account, any related transaction or series of transactions involving the satisfaction of loans from the Commodity Credit Corporation.

(b) REGULATIONS.—The Secretary of the Treasury or his delegate (after consultation with the Secretary of Agriculture) shall prescribe such regulations as may be necessary to carry out the purposes of this Act, including (but not limited to) such regulations as may be necessary to carry out the purposes of this Act where the commodity is received by a cooperative on behalf of the qualified taxpayer.

SEC. 6. STUDY.

(a) GENERAL RULE.—The Secretary of the Treasury or his delegate, after consultation with the Secretary of Agriculture, shall conduct a study of—

(1) the 1983 payment-in-kind program, and

(2) the tax treatment provided with respect to such program by this Act.

(b) REPORT.—Not later than September 1, 1983, the Secretary of the Treasury shall submit to the Congress a report on the study conducted under subsection (a), together with such recommendations as he may deem advisable.

Mr. ROSTENKOWSKI (during the reading). Mr. Speaker, I ask unanimous consent that the House amendment to the Senate amendment be considered as read and printed in the RECORD.

Mr. SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. SPEAKER. Is there objection to the initial request of the gentleman from Illinois?

Mr. CONABLE. Mr. Speaker, reserving the right to object and I do not object, but I would like to ask the dis-

tinguished chairman, the gentleman from Illinois (Mr. ROSTENKOWSKI), if he could tell us what procedure is being followed here with respect to the so-called PIK program, which I understand has passed the Senate in a somewhat different form from what it passed the House and therefore requires some further procedure.

Mr. ROSTENKOWSKI. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from Illinois.

Mr. ROSTENKOWSKI. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, H.R. 1296 passed the House yesterday by a vote of 401 to 1. The bill satisfactorily resolves the tax problems of farmers who participate in the payment-in-kind or PIK program while achieving a delicate balance between farm and tax policy. The bill was reported to the Committee on Ways and Means by a unanimous vote of the Subcommittee on Select Revenue Measures. The Committee on Ways and Means also approved the bill unanimously. Both Treasury and Agriculture Department officials have publicly voiced the support of the administration for the House bill.

Despite the exceptionally strong support for H.R. 1296, as passed by the House, the Senate substantially modified the House bill. The Senate amendment eliminates the antispeculation rule which was included in the House bill and provides expanded tax benefits both retroactively and on a permanent basis. The Senate amendment also deletes the provision of the House bill which provides a tax exemption for the National Farmers Organization or NFO.

H.R. 1296, as passed by the House, fully addresses farmers' concerns that participation in the 1983 PIK program may have adverse tax consequences. However, many farm cooperatives have expressed opposition to the tax exemption for the NFO. These cooperatives fear that such an exemption would provide a competitive advantage to the NFO. Therefore, I recommend deleting this NFO exemption.

Under the request I am making, I am asking the House to return the original House bill to the Senate with certain technical changes recommended by the Senate Finance Committee by deleting the NFO exemption to which cooperatives have objected.

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Mr. CONABLE. Further reserving the right to object, Mr. Speaker, to summarize, then, it is the plan to send the measure back to the Senate?

Mr. ROSTENKOWSKI. As passed the House, deleting the NFO provision.

Mr. CONABLE. As passed the House, but deleting the NFO provision.

Mr. MICHEL. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. Further reserving the right to object, I yield to the gentleman from Illinois.

Mr. MICHEL. I appreciate the gentleman yielding under his reservation. I only wanted to make the point that when we were considering the measure here in the House under the suspension of the rules, the gentleman from Illinois was called to the White House and could not obviously vote at the time when the vote was taken.

Obviously, if I had been here, I would have supported it wholeheartedly, as we had been pressing the committee to address itself to this project. I am happy to see that it will finally be resolved before the deadline.

Mr. CONABLE. Further reserving the right to object, Mr. Speaker, does the gentleman from Minnesota wish me to yield?

Mr. FRENZEL. Yes.

Mr. CONABLE. I yield to the gentleman.

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Speaker, the NFO amendment was not mine, but I am the principal author of the bill from which the amendment was drawn. It is an important and a good amendment, but the importance of the PIK bill is so overwhelming that we are better off to leave the NFO amendment behind and we will try to work that out at a later date.

I thank the gentleman for yielding.

Mr. DE LA GARZA. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. Further reserving the right to object, I yield to the gentleman from Texas.

Mr. DE LA GARZA. Mr. Speaker, I only wanted to express my appreciation to the chairman of the Ways and Means Committee and the ranking member and all who have worked to assist us in this endeavor. We from the Agriculture Committee are very appreciative of the gentleman's spirit of cooperation and understanding of our problem.

Mr. JEFFORDS. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. Further reserving the right to object, I yield to the gentleman from Vermont.

Mr. JEFFORDS. I appreciate the gentleman yielding.

I just want to echo the comments of the chairman of the full Agriculture Committee. The minority feels likewise. We really appreciate what the gentleman has done.

Mr. CONABLE. Mr. Speaker, under the circumstances, I withdraw my reservation of objection.

Mr. SPEAKER. Is there objection to the initial request of the gentleman from Illinois (Mr. ROSTENKOWSKI)?

There was no objection.

A motion to reconsider was laid on the table.